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NEWS SUMMARY

GENERAL

Liberals unlikely to renew pact

The prospect of an October general election strengthened further yesterday as Mr. David Steel hinted that the Liberal Party would be unable to renew its pact with the Government beyond this summer.

He said that the agreement still stood, in spite of the row between the Liberals and Labour over tax cuts.

The Liberals will go on backing the Government in the short-term so that "Liberal" measures can be enacted, but Mr. Steel said that it would not be in the country's best interest for Labour to carry on depending on minority party support on a day-to-day basis. **Back Page**

Eitan backing

The Israeli Cabinet has rejected a complaint that General Eitan, Israeli Chief-of-Staff, had overstepped his authority by speaking against withdrawal from the West Bank and Golan Heights. A senior Jordanian official has denied reports that King Hussein had advised Arab leaders that Israel intended to occupy the East Bank. **Page 2**

Bus deaths

Six children and one adult were killed when a school mini-bus and a lorry were in collision near Earls Colne, Essex.

Terrorist law

Italy's minority Christian Democrat Government is to seek a confidence motion in Parliament this week, demanding immediate ratification of tough new anti-terrorist measures. **Page 2**

Asian march

More than 5,000 Asians marched from the East End to Hyde Park yesterday in protest at the killing of Altab Ali, a Bangladeshi. Placards claimed police were covering up a racial attack.

Carlos report

Scotland Yard is investigating a reported sighting in London of Carlos "The Jackal," the world's most wanted terrorist. He is wanted for the shooting of Mr. Joseph Sieff, president of Marks and Spencer, and for the 1975 kidnapping of OPEC leaders.

Comoro coup

President Ali Soilih, socialist leader of the Comoro Islands in the Indian Ocean, has been deposed in a bloodless coup which brought a military government to power.

Shah statement

The Shah of Iran says the Government's determination to take tough measures against demonstrators will not delay his programme of political liberalisation. **Pages 2 and 23**

Briefly . . .

Weekly £50,000 premium-bond prize won by Staffordshire bond XL 755716.

More than 20 people were arrested for possession of drugs during a Hyde Park rally organised by the "Smokey Bears" movement which wants marijuana legalised.

Lord Hailsham flew back from Australia with his wife's body on Saturday.

Salvage workers have stabilised the bow section of the Greek tanker Eleni V off the Suffolk coast. **Page 5**

Communist-backed rebels have attacked the Zaire copper mining town of Kolwezi.

Mr. V. S. Williams, of Gidea Park, Essex, is winner of the Sausage of the Year award, while YWCA publicity officer John Lane has broken the world onion peeling record.

BUSINESS

Italy seeks IMF loan

● *ITALY is hoping to negotiate* two large loans from the IMF and EEC, together worth an *estimated $2.5bn, as part of a* programme to consolidate the country's short- and medium-*term debt obligations.*

Preliminary discussions on the standby credits have taken place in Rome and detailed negotiations are expected to start in June. **Back Page**

● **BRITISH SHIPBUILDERS** is lagging far behind competitors in service to the offshore oil market, and needs a substantial reorganisation and investment programme if it is to win orders from the oil industry, according to a report within the Corporation. The report comes at a time when the oil industry is under increasing Government pressure to buy British marine equipment. **Back Page**

● **RETROSPECTIVE** legislation proposed in the Finance Bill by the Government to try to eliminate organised tax avoidance will be opposed by the Conservative party in standing committee. The Tory opposition is expected to weaken the impact of the tax scheme. **Back Page**

● **BRITISH LEYLAND** plans to import a limited number of Minis from its Belgian plant to meet the current strong market. Longbridge shop stewards will discuss the plan to-day. At the same time Ford UK has put forward proposals to change the basis of publishing vehicle import figures, so that it would be no longer clear where the cars sold in Britain were made. **Back Page**

BNOC plans £2bn investment

● **BRITISH NATIONAL OIL CORPORATION** expects to spend about £2bn on offshore activities during the next five years to 1982, but has told the Energy Department that it does not plan to ask the Government to extend its borrowing limit—at present up to £600m, which can be raised to £900m with Parliamentary consent. **Back Page**

● **BSC** middle and senior managers, as members of the Steel Industry Management Association, have applied for affiliation to the TUC, following corporation plans to introduce a worker participation structure in BSC which would exclude managers. **Page 6**

● **NATIONAL GRAPHICAL** Association is planning to take disciplinary action against members who prevented publication of the Observer newspaper yesterday because of an unofficial dispute over manning. **Page 6**

No clash pledge on pay

● **ASTMS** leader, Mr. Clive Jenkins, has promised that his union will avoid a clash with the Government on pay in the public sector during the next wage round. **Page 6**

● **CBI** proposals for the creation of a special Parliamentary select committee to advise on pay limits is expected to receive little support from the Government, Civil Service or the trades unions. **Back Page.**

● **ROLLS-ROYCE** Motors, which last year sold more than a third of its entire production to US customers, is to build a new $4m headquarters in Lyndhurst, New Jersey.

Muzorewa drops demand for sacked Minister's return

BY TONY HAWKINS: SALISBURY, MAY 14

Bishop Abel Muzorewa's United African National Council today decided to stay in the Rhodesian transitional *government* despite the refusal of the interim government to reinstate Mr. Byron Hove, the dismissed black Cabinet Minister.

The decision—taken at an eight-hour meeting by the 70-member national executive of the party—appears to have been hotly debated. It might cost the party some grass roots support and some of its younger, more militant, members.

The party said tonight its withdrawal would have resulted in the immediate collapse of the interim Government and the Salisbury settlement.

"Acting purely in the interests of the country and the people, the national executive council decided that the party shall remain in the transitional Government and the party remains committed to the objectives and tasks which must be accomplished by the transitional Government."

It said Mr. Hove's dismissal two weeks ago had left "a nasty political smell in the country." The party fully intended to cleanse the air.

"The party remains angry, unhappy and suspicious about the motives of some individuals in the transitional Government. There have been unconstitutional decisions. There has been a most serious abrogation of the principle of consensus and a deliberate delay in the removal of racial discrimination."

But the party said it would be inconsistent with its integrity to *fail to honour the agreement.* "When one soldier falls because of dirty intrigues, another must *immediately take his place,*" the party said, implying that the Bishop would agree to nominate another black Minister to replace Mr. Hove as Co-Minister of Justice, Law and Order in the 18-member ministerial council of the transitional administration.

The party's decision to back down from last Sunday's ultimatum — that the executive council of the transitional government reinstate Mr. Hove immediately or face UANC withdrawal —was not altogether surprising. Senior party officials warned the Bishop that to withdraw at this stage could have left the party in danger of being politically *isolated.* There is speculation here tonight that the Bishop will suffer in the country as well as in the eyes of the Patriotic Front externally, where he will be branded as a weak man and as a waverer.

The political assessment here is that on balance the party had more to lose by pulling out of the agreement than staying with it, especially as some of its influential moderates had apparently threatened to split the party rather than run the risk of being left in the political wilderness as the result of an emotional decision to withdraw.

The feeling is that the internal settlement is still the Bishop's best route to power.

The party laid down no conditions concerning its continued participation in the Government —in stark contrast to some of the belligerent statements by the Bishop and some of his aides in recent days. But in an abvious effort to distance himself from the other three members of the executive council—Chief Chirau, the Rev. Sithole and Mr. Smith —the Bishop said he would not join the others in addressing meetings around the country aimed at "selling" the agreement, such as the all-party meeting last week.

The party repeated its familiar demands, which it says it is working to achieve in the interim Government. These include the release of all political detainees, the ending of executions, the dismantling of protected villages, the removal of racial discrimination, and the preparattion for majority rule on December 31 this year, "on which date the UANC will form a government."

The party demanded that preparatory arrangements for one-man-one-vote elections be hastened with an immediate start to the delimitation of constituencies and registration of voters.

Kaunda appeals to UK for aid

By Bridget Bloom, Africa Correspondent

PRESIDENT KAUNDA of Zambia, who is in London on an official visit, said yesterday that he hoped to get an "unqualified *commitment*" *from* both the British and the U.S. Governments on an aid package of about $400m to tide Zambia through its economic difficulties.

Dr. Kaunda, who is to discuss both aid matters and southern Africa with British Ministers to-day before leaving for Washington tomorrow, said that he hoped that Britain and the US would persuade their western partners to agree to an aid package equal to the recent 390Sm credit to Zambia arranged by the International Monetary Fund.

Though he would not comment on the amount of money Zambia is seeking from Britain—in addition to the £9.2m loan signed last week—Dr. Kaunda said that while new loans might take time *to* negotiate, he hoped he would return to Zambia with specific commitments.

For Zambia itself, and for southern Africa, his present visit was "crucial—probably the most important I have ever undertaken."

He expected to know within two months, following the Bonn summit, where the West stood on the political and economic issues of southern Africa. He hoped western States would agree to follow President Carter's policy on human rights "not in theory but in practice." This meant full support for majority rule in Rhodesia, Namibia and South Africa itself.

Foreign

Unless this support were forthcoming, he warned, Russian and Cuban involvement in Rhodesia could well be the "final event in the sequence of events that have been taking place over the last 12 years."

It would not be a question of Dr. Kaunda inviting the Russians and Cubans in. The war in Rhodesia was already being made international by the use of thousands of foreign mercenaries on the Rhodesian side. If the West would not remove Mr. Ian Smith and the white run government, the Patriotic Front which controls the guerrillas would have no option but to turn to those who would.

Dr. Kaunda described the internal settlement as a "recipe for civil war." However, he believed that the Anglo-American proposals were still the best hope for a negotiated settlement—though he still thought that it would be better to hold elections after rather than before independence.

He hoped the West would listen to his warnings this time. He

Continued on Back Page

US tax move may ease loan rate pressure

BY STEWART FLEMING NEW YORK, May 14.

MR. G. WILLIAM MILLER, chairman of the US Federal Reserve Board, has scored a significant victory with the Carter Administration's announcement of support for a reduced tax stimulus for the US economy.

Mr. Miller, who has been publicly urging the proposals which the Administration is now backing indicated this weekend that the White House's shift of policy would help the Fed ease the upward pressure on interest rates.

However, the Fed is now facing a particularly thorny decision on monetary policy because of signs over the past month that the money supply has been running out of control.

The Administration indicated on Friday that it was ready to support a $5bn reduction to about $19.5bn in the tax relief it had proposed earlier in the year and to postpone its introduction for three months until January 1.

This change will also reduce the Budget deficit, something Mr. Miller has urged as the vital element in anti-inflationary policy.

However, there remains some scepticism about whether the trimming of the tax plan will reduce the deficit for fiscal 1979 to $53bn., as suggested by the Administration. Some argue that it will merely prevent the deficit from rising even higher than has already been predicted.

A problem for Mr. Miller is whether, in view of the concessions the White House has made to his views, the Fed can now continue to allow short-term interest rates to rise as the surging money supply growth and the strong rebound in the economy in the second quarter seem to demand.

Wall Street economists are predicting that the Fed, which has allowed the key federal funds interest rate to rise by half a percentage point in the past month, will have to permit credit conditions to tighten further.

The Federal Open Market Committee holds its regular monthly meeting tomorrow and, until the week-end, it was widely expected that it would approve further credit tightening.

Such a step seems to be required because of the excessive growth of the money supply, which is generally held to fuel inflation. On Thursday of last week, the Fed announced that in the latest banking week the narrow money supply rose by $4bn—a record increase on some measures.

As a result of the rapid increases reported over the past six weeks, the money supply's

MR. BLUMENTHAL: President's commitment.

annual rate of growth is now 7.5 per cent, which is above the long-term target of 6.5 per cent that the Fed has set. Over the past month the growth has been at an annual rate of 22 per cent—the sort of increase which Wall Street believes demands Fed action to tighten credit. Moreover, these increases come against evidence of quickening inflation and a buoyant economy.

Significantly, however, there does seem to be growing political support for anti-inflationary policies such as tighter credit. Thus, Mr. Al Ullmann, chairman of the House Ways and Means Committee, has indicated that the Carter Administration could reduce its tax stimulus even further—a remarkable stance in an election year from a man who has to face the voters.

In the meantime, Mr. Miller's victory on economic policy will further reassure the financial markets about the speed and assurance with which he has taken over the job of Fed chairman. So far at least the stock market has shrugged off the interest rate rises, being sustained instead by the dollar's performance and the evidence from the Administration of a greater determination to fight inflation.

Mr Michael Blumenthal, Treasury Secretary, speaking at the same meeting this weekend of the business council as Mr. Miller, said: "The President's commitment to work even more actively in reducing the deficit and reducing spending . . . is very great indeed."

He indicated that he was expecting a lower Budget deficit now, but did not say what the new deficit forecast was.

Editorial comment Page 14

Saudis link US jets plea to 'Communist threat'

BY DAVID BELL WASHINGTON, May 14.

KING KHALID of Saudi Arabia has sent a public letter to President Carter in which he appealed to the US Congress not to block the proposed sale of advanced aircraft to the Saudis. The king claimed that there had been a "recently stepped-up Communist expansion" close to his country's borders.

His letter came only 24 hours before tomorrow's critical vote in the Senate on the Administration's proposed three-way arms deal with Egypt, Israel and Saudi Arabia.

Under this scheme, which has been fiercely opposed by the Israelis, the Saudis would receive 60 sophisticated F-15 aircraft.

As if to lend weight to the Saudi concern, Mr. Carter, in an interview released yesterday, attacked the Soviet Union and Cuba for "unnecessary and excessive use of military forces . . . all over the African continent" and "to some degree lately" in the Middle East.

He said that there was now a significant number of Cuban advisers in South Yemen, which is on Saudi Arabia's southern border, and that this was a major cause for concern.

The State Department reported that there may be as many as 600 Cubans in South Yemen, but that many of them had been there for some years.

However, it added that since the Soviet-Cuban intervention in Ethiopia the number of Soviet, Cuban and East German personnel there has risen and may now total about 1,000.

Mr. Carter said that Dr. Fidel Castro, the Cuban President, had "grossly increased the number of troops in several countries in Africa recently" and that latest US intelligence suggested that "Cuban troop losses in Africa have recently been quite high."

The issue of growing Cuban *involvement is causing concern* to the Administration, Mr. Carter said that nothing would please *him more than for President* Castro to say that he would withdraw his troops from the Continent and that "he was going to refrain from injecting Cuban troops into Rhodesia in the future or that he was going to quit offering Cuban troops to the leaders among the frontline Presidents."

The President's decision to highlight Cuban involvement in South Yemen was clearly intended to strengthen the hand of those in the US Senate who argue that the Saudis need the F-15s for "defensive purposes."

Sen. Robert Byrd, the Senate Majority Leader, said yesterday that he was confident that the sale would be approved and that he was determined that the vote should be held tomorrow.

A vote to block the sale would be a serious blow for the Administration and, possible, do lasting damage of US-Saudi relations.

King Khalid referred to this in *his letter, noting,* in somewhat oblique language, that Saudi Arabia's "long and increasingly *close relationship with the US* is, even with all of its proven mutual benefits, still only at an early stage of reciprocal worth."

Mortgage curbs to continue

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

GOVERNMENT-IMPOSED restrictions on mortgage lending new, seem certain to be continued into the second half of the year, despite opposition from the building societies.

The restrictions were agreed on in March, when the Government became concerned at evidence that house prices were rising rapidly. The building societies were called on to cut their monthly lending quota of £680m.—agreed between the two sides at the beginning of the year—by 10 per cent. from April and maintain the reduction until the end of June.

The agreement did not cover so-called peripheral lending for items such as home improvement, and advances of this type have now risen from about £40m. a month to more than £100m.

The societies have continued to criticise the artificial restriction on lending since it was first introduced, emphasising that, while some house prices have moved sharply ahead, average market prices have not reacted dramatically and that a squeeze on mortgage finance is unnecessary.

It now appears, however, that Government representatives on the Joint Advisory Committee, which acts as a forum for the two sides, have said that there will be no let-up in mortgage lending reductions until a clearer picture of house price trends has emerged.

The movement has calculated that about 1,400 mortgage applicants a week are being turned down because of the cuts. Latest figures from the Building Societies' Association confirm that the cuts have begun to bite, with new mortgage commitments in April falling to £713m from £807m in March.

Commitments this month will have to show a further big drop.

In April the association said that it would press the Government for an immediate but gradual relaxation in lending controls, so that the mortgage advance programme could resume its originally planned level without provoking an additional surge of demand.

It is now questionable, however, whether the societies would be able to resume lending at significantly higher levels, given the decline in net receipts now being experienced. Liquidity will be reduced to meet even the lower mortgage advance programme and so higher interest rates will be required to attract more new funds.

The societies will meet in June to discuss higher rates and the restrictions on mortgages will provide them with an added dilemma.

Coal subsidy for power stations

BY JOHN LLOYD, INDUSTRIAL STAFF

THE GOVERNMENT will subsidise the sale of coal to power stations next year if, as seems likely, too much coal is produced for the available market.

At the same time, it has revised its expectations of a sharp upturn in demand for coal from the mid-1980s to about 1990.

The cost of the subsidies will depend on the relative prices of oil and gas on the level of coal stocks at the pithead and in the power stations, and on the buoyancy of coal's other markets.

However, if these do not improve in coal's favour, the subsidies could run into tens of millions of pounds.

Powers to provide the subsidies are contained in the 1973 Coal Industry Act. The limit of the payment is £50m, but the Secretary for Energy can bring an order to increase the payments, up to a limit of £10m.

As the Government admits, the mechanism in effect would be a bribe to the Central Electricity Generating Board and the South of Scotland Electricity Board to burn coal. The powers were used briefly in 1973, after the 1972 miners' strike, but have not been used since.

On future markets, both the National Coal Board and the Department of Energy work on the assumption that demand for coal will rise gently in the late 1970s and early 1980s, then grow more steeply after 1985 to match production.

Under the Plan for Coal, drawn up in 1974, an annual production figure of 135m tons by 1985, and 170m tons by 2000, is called for.

However, officials in the Department of Energy now believe that the more rapid growth in consumption may not come until 1990. This is based partly on a view that oil may remain reasonably competitive for a longer period.

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FEATURES

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OVERSEAS NEWS

Andreotti seeks confidence vote over security

BY DOMINICK J. COYLE

ROME, May 14.

IN THE WAKE of the assassination of Sig. Aldo Moro, the former Prime Minister, Italy's minority Christian Democrat government is to seek a vote of confidence in Parliament this week, demanding the immediate ratification of tougher anti-terrorist measures.

The measures have already been introduced by decree law, subject to parliamentary approval. They provide for wider powers of search and arrest, the increased use of telephone tapping, the limited interrogation of subjects without the presence of legal representation, and mandatory life sentences where kidnap victims are subsequently murdered.

Sig. Giulio Andreotti, the Prime Minister, has now asked the Chamber of Deputies for immediate endorsement of these provisions "without changes and without additions."

This is a reference to the concerted campaign by some Left-wing parties to force amendments in the interest of human rights, and by the neo-Fascist MSI to secure even more extreme provisions, including possibly appointing a military officer as Interior Minister, and the reintroduction of the death penalty.

Sig. Andreotti himself has taken over interim responsibility for the Interior Ministry, following the resignation of Sig. Francesco Cossiga in the face of widespread criticism of the security forces in connection with the Moro kidnapping, but he is expected to call an all-party summit this week to try to reach agreement on a new nominee for the portfolio.

Meanwhile some 4m voters in a geographically representative sample of national opinion are voting today and tomorrow in local elections which will determine whether there has been any significant shift in public opinion since the June 1976 general elections.

Some Christian Democrat leaders anticipate that a strong "sympathy vote for Moro" could swing the results greatly in favour of the Christian Democrats.

Dublin defends salary guidelines

BY OUR OWN CORRESPONDENT

DUBLIN, May 14.

THE DUBLIN Government has threatened to cut salaries of chief executives of state-sponsored companies if they are above the level permitted by Government guidelines. Mr. George Colley, the Finance Minister, said yesterday that he was pursuing a number of cases.

Mr. Michael Culligan, general manager of the Agricultural Credit Corporation, has already had his salary reduced from £16,000 to £12,000 a year.

The salaries of most of the chief executives are fixed by the semi-State companies' boards. Mr. Colley said that where guidelines were being flouted deliberately, the question of the suitability of the boards would come into question.

Three semi-state boards which are alleged to be paying their chief executives above the limits are Aer Lingus, the Irish Life Assurance Company and the state transport company, CIE.

Helsinki group leader goes on trial in Moscow to-day

BY DAVID SATTER

MOSCOW, April 14.

DR. YURI ORLOV, the leader of the dissident group which sought to monitor Soviet observance of the Helsinki accords, goes on trial tomorrow, charged with anti-Soviet agitation, a crime punishable by up to seven years' imprisonment and five years' exile.

The long-awaited trial is to take place in a courtroom of the Moscow city court, in the Lublino district of south-east Moscow, and is expected to last three days. The presiding judge is Mrs. V. G. Lubintsova, who has presided at political trials in the past.

Simultaneously, two members of the Georgian Helsinki group—Zviad Gamsakhurdia, a writer; and Merab Kostava, a musicologist—are to go on trial in Tbilisi, also charged with anti-Soviet agitation.

In an apparent attempt to hold down the size of the crowd expected outside the Lublino courtroom tomorrow, many of Dr. Orlov's friends have been sent out of town on business trips.

Others have been closely shadowed by the KGB, have received threatening telephone calls, or been told not to leave their place of work during the first three days of the working week.

Dr. Orlov's trial will probably be officially "open," but following the pattern of past dissident trials, all seats in the courtroom are expected to be filled in advance, with only Dr. Orlov's wife, Irina, and his two sons allowed to attend.

Dr. Orlov is being put on trial after months of seeming hesitation. Soviet law stipulates that a suspect cannot be held longer than nine months before trial, but this term was extended in the case of Dr. Orlov for another six months by a special act of the Russian Supreme Soviet.

Beginning with the arrests of Dr. Orlov and Mr. Alexander Ginzburg in February, 1977, a total of 17 Helsinki group members have been either arrested or sentenced in various parts of the country.

Others have been induced to emigrate, and the trial of Dr. Orlov and expected trials of Mr. Ginzburg and Mr. Anatoly Shcharansky are seen as a sign of Soviet determination not to tolerate organised dissent, regardless of the reaction in the West.

Our Foreign Staff adds: A "parallel trial," to put forward Dr. Orlov's defence, which is being staged by three Russian dissidents and Mr. John McDonald, a London barrister, opens in London tomorrow.

The three, Lyudimella Alexeyeva, Valentine Turchin and Lydia Voronina, flew into London from their new home in the US.

Mr. McDonald, who was appointed as Dr. Orlov's defence counsel but was refused permission to attend the trial, yesterday expressed confidence that the "parallel trial" could put sufficient pressure on the Soviet authorities to make them give him a lenient sentence.

Shah will 'persevere with liberalisation'

BY ANDREW WHITLEY

TEHRAN, May 14.

THE SHAH OF IRAN has said that his Government's determination to take tough measures against demonstrators will not slow his programme of political liberalisation. He was commenting on the violent disturbances of the past week which left more than 20 dead according to unofficial estimates.

At a news conference yesterday, the Shah concentrated his attack on political dissidents from the former National Front, who, he said, wanted Iran to be partitioned again by the great powers. Some of the old leaders of the front, which backed Mr. Mossadek, Prime Minister in the early 1950s, during the greatest challenge the Shah has faced during his reign, recently formed the Union of National Front forces.

Blaming the riots on the work of "politically bankrupt" people such as these, the Shah said Iran was no longer a country to be divided into spheres of influence.

"Their's is the Constitution of 1907, which very easily permitted the partition of Iran," he said, thus dismissing calls for a curb on his own powers, and implying that only a strong monarchy could keep Iran united.

A common theme of dissident activity in the past year has been demands for the full observance of the Constitution, framed in 1907 but repeatedly amended by both the present Shah and his father to strengthen the monarchy's powers.

Throughout the 90-minute news conference, the Shah stressed the dangers of occupation and foreign influence. He made no reference to the religious opposition to his rule, or his Government's handling of the disturbances, which have in fact been the main stimuli for unrest.

After the fourth round of trouble in four months, there are indications that the new tough approach to quelling dissent, which has included the use of troops and armoured vehicles, will be maintained. It has also been announced that two of the three Qom Ayatullahs, the senior Shi'a religious rank, are to go abroad for medical treatment.

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Rebel attack on Zaire mining town

KINSHASA, May 14.

ZAIRE said today that its southern province of Shaba, former Katanga, had been attacked by Communist-backed rebels from Angola who entered the country through Zambia.

The official news agency, Azap, quoted President Mobuto Sese Seko as saying that 4,000 former Katangan gendarmes launched the attack late last Thursday night.

Zaire defeated a similar invasion last year with the help of Moroccan troops and military aid from France and Belgium.

President Mobuto said the rebels who were attacking the copper town of Kolwezi were supported by the Soviet Union and Cuba, as well as Algeria and Libya.

Azap said he was preparing to order a general mobilisation

The agency said Cuban troops were among the attackers who were repulsed from Mutshatsha, in south-east Shaba, by Zaire troops in a 2½ hour battle this morning.

Reuter

Sadat calls for an end to 'indiscipline'

BY ROGER MATTHEWS

CAIRO, May 14.

THE CAMPAIGN of rumour and doubt in Egypt has to stop, President Anwar Sadat of Egypt declared today.

In his second major speech within a fortnight, the Egyptian leader spent nearly two hours and 20 minutes telling the Parliament that it had to put a halt to the "indiscipline" that was threatening both the road to democracy and the country's "social peace."

Mr. Sadat's most bitter words were reserved for the Left. Without announcing any specific action to be taken against the Left-wing Unionist Progressive Party, he said that he was sending a note to the Secretary-General of the ruling Arab Socialist Union about its behaviour.

He indicated that if necessary he would go to the people and seek their views on the right of certain political parties to continue in being.

For much of the time the Parliament was treated to a rambling discourse that included a discussion of the French Revolution, the antics of British diplomats in Cairo before and after the 1952 officers' revolt, the right of Queen Elizabeth to dissolve the British Parliament, the role of one ofthe President's closest friends, and, most extraordinarily, the case of a £1m. loan from an Arab country in 1972 that Mr. Sadat had put into his own personal account and then forgotten about for two years.

It was all to do with an aircraft factory and the fact that Mr. Sadat thought he might need the money suddenly to pay Mr. Leonid Brezhnev, the Soviet leader, for much needed supplies. Not until 1974 was the President's memory jogged, he recalled, when the then Prime Minister came and said he had discovered the money and used it for the supply of essential commodities.

Well-intentioned mistakes could be permitted, Mr. Sadat had said earlier, but he could not tolerate the campaign of denigration and distortion that had begun about a month ago. The left-wing and its weekly newspaper had fallen into very grave errors because they were using their newly granted freedom as if it was a licence to mount constant attacks on Egypt.

Attempts were similarly being made to exploit the country's economic difficulties, said Mr. Sadat, and this he would not permit. Neither would he succumb to the efforts being made to cause a rift between him and the "Egyptian family."

Begin rejects return of West Bank to Jordan

BY L. DANIEL

JERUSALEM, May 14.

MR. MENACHEM BEGIN, the Israeli Prime Minister, has rejected out of hand an Egyptian suggestion that Israel hand back the West Bank to Jordan, and the Gaza Strip to Egypt, even before the start of negotiations for a peace agreement.

In a public address last night, he decalered that a return to the 1967 borders, which he said gave rise to the Six-Day War and threatened Israel's peace and security, was out of the question. He called on President Sadat of Egypt to resume negotiations in the spirit of which they were started at the end of last year.

Meanwhile, both Mr. Begin and Mr. Ezer Weizman, the Israeli Defence Minister, have both supported last week's declaration by Lt.-Gen. Rafael Eitan, the Chief of Staff, that Israel could not be defended without control of the West Bank and the Golan Heights.

This underlines the vital importance to Israel's security which the West Bank has in the eyes of the Begin Government.

Lt.-Gen. Eitan's statement has been strongly attacked in the Press here. Some papers express doubt as to his professional capacity, while others take him to task for usurping the function of policy shaping.

The prestigious independent daily Ha'aretz warned that the Government was endangering the credibility of its repeated statements that everything was up for negotiations by permitting the Chief of Staff to express his views publicly.

Even Professor Yigal Yadin, who heads the Democratic Movement for Change, a partner in the Begin coalition, raised objections to his utterances during today's Cabinet meeting.

Reuter adds from Beirut. Mr. Zuheir Mohsen, military chief of the Palestine Liberation Organisation and head of the pro-Syrian Saiqa faction in it, today predicted fresh fighting in Lebanon unless Egypt and Syria resolve their dispute over ways of ending the Middle East conflict.

In Cairo, President Jaafar Nimeiri of Sudan today reiterated his belief that it would be possible to convene an Arab reconciliation summit, following a one-hour meeting with President Sadat, but gave no reasons for his optimism.

Nominal increase in Brazil's spending

The Brazilian budget for 1979, due to be sent to Congress on August 31, calls for only nominal growth in expenditure, writes Diana Smith from Rio de Janeiro. Expenditure is to increase by 35 per cent, just enough to match the inflation rate forecast for next year.

Revenue is forecast at $26.6bn compared to 1978 revenue of $19.7bn. Less than a quarter of 1979 revenue will be allocated to outlays on personnel, with instructions to keep hirings to a minimum.

Expenditure abroad is to be held at the 1978 level. If outlays abroad have to be increased, then the body involved must absorb the amount within its budget limits.

India to allow gold imports

India is to allow the import of gold on a major scale for the manufacture of gold jewellery for export, Reuter reports from New Delhi. Mr. Mohan Dharia, Minister of Commerce, told a meeting of the Indian Diamond Institute in Surat that jewellers would be permitted to import any amount of gold so long as it was used in the manufacture of items for sale abroad. Surveys had shown that there was a huge and virtually untapped potential for the sale of Indian gold jewellery to the Gulf and other Arab states.

Ecevit in London for Cyprus talks

Mr. Bulent Ecevit, Turkey's Prime Minister, is in London for a four-day private visit. He is expected to have talks with Mr. James Callaghan, Prime Minister, and Dr. David Owen, Foreign Secretary, today at which the Cyprus issue is expected to dominate. The discussions will be overshadowed by the vote of the US Senate Foreign Relations Committee to maintain an embargo on arms sales to Turkey.

Cyprus has made a strong protest to Bonn over Chancellor Helmut Schmidt's offer to provide more arms for Turkey, our Nicosia correspondent reports. The Chancellor was reported to have assured Mr. Ecevit in Bonn last week that West Germany would provide "large aid to Turkey, particularly in the military field."

Coup in Comoros

A two-year experiment with socialism in the Comoro Islands appears to be over after a bloodless coup which has deposed President Ali Soilih and brought a military government to power, Reuter reports. Comoro State Radio, monitored in Madagascar, said a directorate had taken power and that Mr. Soilih was under arrest.

Peruvian reshuffle

Three new Ministers, including two civilians, are to join Peru's military Government today. President Francisco Morales Bermudez has appointed the civilians to the Economy (Sr. Javier Silve Ruete) and Industry (Sr. Gabriel [illegible]) Ministries to cope with the country's economic difficulties. General Luis Sisneros Vizquerra, the hard-line Interior Minister, whose resignation has long been demanded by the unions, is replaced by General Fernando Velit Sabattini, formerly the army's intelligence chief.

Upper Volta polls

Upper Volta voted yesterday in the country's first democratic presidential election for 12 years, Reuter reports from Ouagadougou. Four candidates contested the election including the outgoing president, Sangoule Lamizana. He is expected to win a further five-year term.

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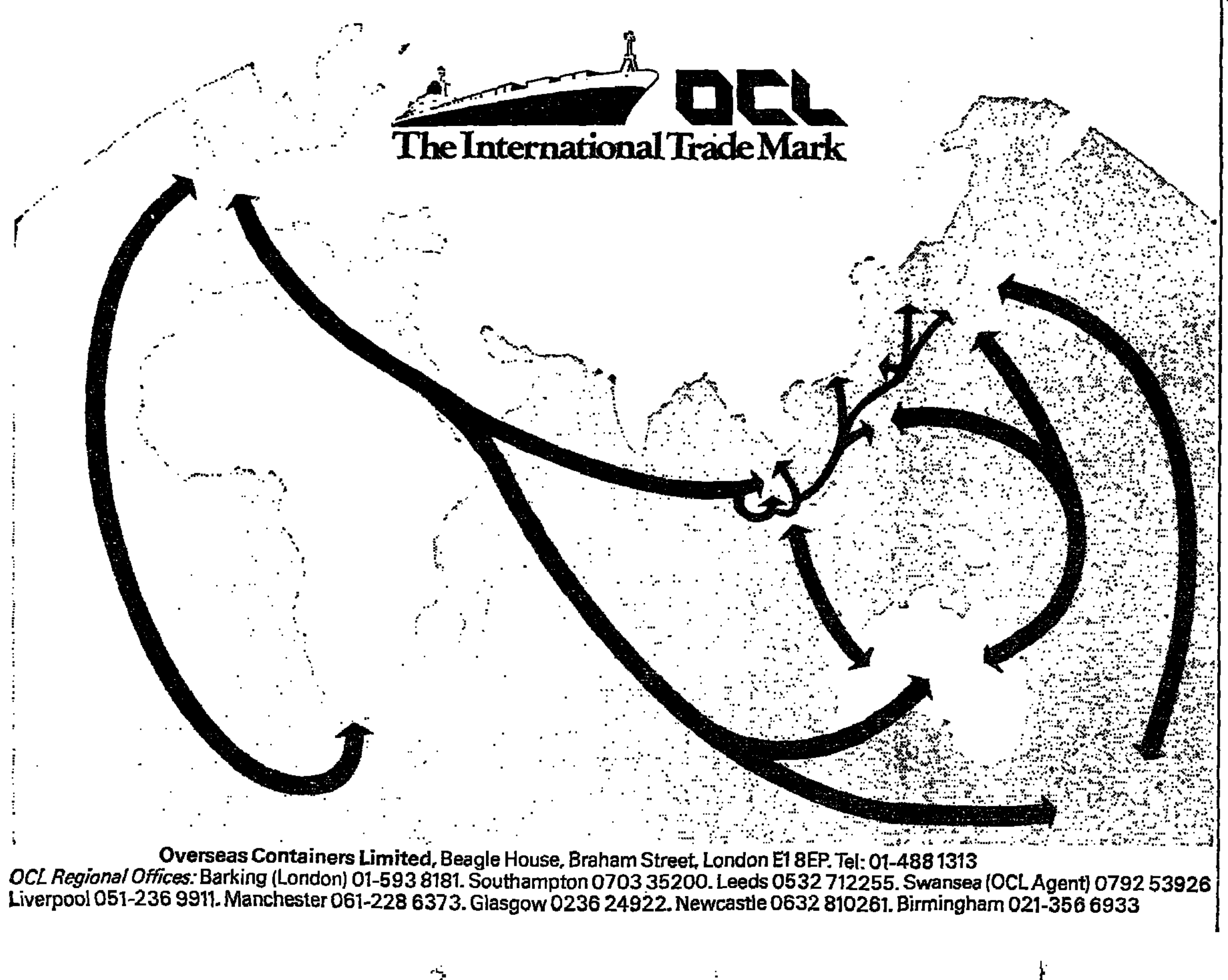

WORLD TRADE NEWS

Geneva trade talks 'may go on for another year'

BY REGINALD DALE, EUROPEAN EDITOR

THE TOKYO ROUND of multilateral trade negotiations could stretch on for another year, despite efforts to conclude the main bulk of the talks this summer, according to a pamphlet published in London to-day.

The paper, written by Mr. Sidney Golt for the British-North American Committee, acknowledges that the objective remains to reach agreement on "policy" by July 15.

But Mr. Golt suggests that it is now more readily admitted that the "policy" package will not be the end of the process and that the "small print" negotiations which will have to continue after July 15 will themselves carry a substantial amount of "policy" content.

"Whatever may now be said, it may well be the spring or early summer of 1979 before the negotiating teams in Geneva are finally released," the paper says. That would allow implementation of whatever is agreed to start at the beginning of 1980.

Even then, some of the major issues of the talks are unlikely to be finally settled and will have to be pursued in what is already known as the "post-Tokyo task" of the GATT, the paper predicts.

Mr. Golt told a Press conference that such issues might include subsidies, public procurement and the whole field of nationalisation.

Mr. Golt said continuing discussions would be necessary because, while the Tokyo Round would be the last of the classical setpiece negotiations in GATT, it would not produce a perfect world trading system.

Further negotiations would also be required in the North-South dialogue to meet the needs of developing countries, which would not gain many specific advantages from the Tokyo Round.

Mr. Golt's paper is prefaced by a policy statement by the British-North American Committee, whose members include business, banking, labour, agricultural and professional leaders in Britain, the U.S. and Canada, stressing the need for a successful outcome to the talks.

Success is essential to preserve and strengthen the world trading system and maintain the momentum of advance in liberal trade, the committee says.

"The most important contribution that our governments can make to the prosperity of their peoples is to pursue general economic policies, both domestically and internationally, that foster job-creating investment, that deal effectively with the problems of inflation and the structural deficiencies impeding employment, and that allow the market system to function efficiently," it says.

The committee concluded, however, that the industrialised nations "need to achieve a deeper understanding of the profound nature of the economic adjustments likely to be required to maintain open economic and political systems and of the true dimensions of the necessity for better co-operation among them."

The GATT Negotiations 1973-1979: The Closing Stage by Sidney Golt, and a Policy Statement by the British-North American Committee, 1, Gough Square, London, E.C.4A 3 DE, £1.50.

France wins $249m. rail contract in Venezuela

CARACAS, May 14.

A FRENCH Government consortium headed by SGTE (Societe General de Techniques et d'Etudes) has been awarded a $249m. contract for providing rolling stock to the Caracas Metro, it was announced here.

The French were winners in a hotly contested bidding campaign from eight international consortia. The contract, which was the largest involving capital goods for the Caracas rapid transit system, calls for supplying a total of 242 air-conditioned coaches, signal and train control systems, electrification plants and several tonnes of steel rail.

This equipment will be used on the 22 km trunk line of the Caracas Metro, which is expected to cost a total of $1.5bn.

At the beginning of the year, sources in the CA Metro de Caracas said that the Venezuelan Government had selected the French bidders and a Japanese group headed by C. Itoh for final negotiations on a lucrative rolling stock contract.

In March 1977 SGTE placed the lowest bid among eight international tenders asking $229m. C. Itoh put in the next lowest tender at $242.8m.

Other bidders were: Societe Franco-Belge des materiels des Chemins de Fer ($296.5m.); two U.S. companies, Westinghouse Electric Corp. ($306.7m.), Pullman Standard ($304.8m.); Urban Transportation Development of Canada ($374.6m.); and Siemens AG ($259.3m. for aluminium coaches and $257.9m. for stainless steel).

A British consortium led by GEC entered the highest bid at $605.8m. The contract specifications of SGTE stipulate supplying aluminium coaches for the Caracas Metro.

This contract is seen as particularly important for foreign companies

New Rolls-Royce HQ

ROLLS-ROYCE MOTORS, which last year sold more than one-third of its entire production to US customers, is to build a new $4m North American headquarters, writes John Wyles from New York. The new development—at Lyndhurst, New Jersey—will cover 90,000 sq ft and include car and parts warehousing in addition to administrative offices.

TELECOMMUNICATIONS

U.K. misses Middle East bonanza

BY JOHN LLOYD

THE MIDDLE EAST is a telephone seller's market, and it will continue to get better. The average growth rate in numbers of telephones in 17 Middle East countries is nearly ten per cent., while eight of the richest will have rates of growth of nearly 13 per cent.

Writing in a recent issue of "Telecommunications" magazine, Mr. Walt Sonneville, of the U.S. consultancy firm of Sonneville Associates, estimates that eight countries—Algeria, Iran, Iraq, Kuwait, Libya, Morocco, Saudi Arabia and United Arab Emirates—are "potentially great growth countries" for telecommunications.

The remaining countries will show "potentially modest growth." These are Egypt, Jordan, Lebanon, Oman, Qatar, Syria, Tunisia North Yemen and South Yemen.

The size of the markets differ widely from country to country within the two groups. For example, two countries which have published figures for planned telecommunications expenditure include Iran, which plans to spend $14bn. to 1986, and Kuwait, which will spend $544m. to 1981.

Iran's growth will be the most dramatic. The Government has retained American Bell International to draw up a development plan, which is expected to result in tenders in the near future for wire and cable and for exchanges.

The plan envisages 5m. telephone lines by the late 1980s, giving the country around half the telephone density enjoyed by Hong Kong (which has a similar per capita GNP). The last telephone line count, in 1974, showed that Iran had 617,760 lines. Principal suppliers so far have been Siemens of West Germany, NEC of Japan and ITT.

Kuwait, which at the end of 1977 had 170,000 telephones, plans to raise its telephone density to 50 per cent., or 515,982 telephones. However, since over half of the country's 1m. people are not permanent residents, there are fears that the aim is an over-ambitious one, and that it will be cut back sharply.

Ericsson of Sweden has done best out of Kuwait recently, receiving contracts worth $170m. over the past three years. The Japanese had been hoping to enter the market, too, but a number of Japanese companies were put on the Kuwaiti blacklist last year.

Algeria is aiming at 672,000 lines by 1980, from a 1974 count of 229,673. Its spending levels have been high recently—$500m. over the past four years—and the most favoured supplier of exchanges is, once again, Ericsson, supplemented by the French CGCT and ITT (Spain).

Morocco hopes to expand from 205,000 lines (late 1976) to 500,000 liens by 1982. French companies have supplied almost all the present equipment in the Moroccan network, and are likely to continue to do so.

Among systems in the "potentially modest growth countries," Egypt's notorious telephone network is the largest. A master development plan for Greater Cairo has recently been produced by consultants to ARETO (the Arab Republic of Egypt Telecommunications Organisation), and contracts are expected shortly.

ARETO plans to expand its telephone lines from the current 370,000 to 1,350,000 or more by 1987, and another 200,000 lines will be added by 1980. The World Bank has advanced a $30m. soft loan for telecommunications expenditure, with a further $53m. under consideration.

Finally, the inter-Arab satellite system, Arabsat, represents a ground station market of up to £1bn. Saudi Arabia holds the largest equity share in Arabsat (28.6 per cent.), and its headquarters are in Riyadh. Comsat, the US communications satellite contractor, has been awarded a $20m. contract to design the satellite system.

This survey of Middle East telecommunications buying practice and prospects is a depressing one for British manufacturers.

While it is far from comprehensive, none of the countries which have announced their intentions appear to wish to buy British. The UAE has recently switched from its previously favoured supplier, Plessey, possibly to Japanese electronic exchanges.

Much of this weakness is to be explained by the present lack of a fully electronic technology from U.K. suppliers, together with the historic strength of Ericsson in Middle East markets.

However, British Aerospace, which leads the MESH consortium of European companies manufacturing satellite equipment, is confident that it is well placed for orders from Arabsat.

MIDEAST TELEPHONE COUNTS

	1976 Population (Millions)	TELEPHONE COUNT† 1974	1975	1976	Government* Forecast (Year)
ALGERIA	17.30	229,673	250,424	266,470	672,000 (1980)
EGYPT	38.07	503,000	506,000	n.a.	779,000 (1980)
IRAN ...	33.90	617,760	688,396	781,537	1,100,000 (1980)
IRAQ	11.51	152,932	184,924	n.a.	580,000
JORDAN	2.78	58,000*	61,000	n.a.	n.a.
KUWAIT	1.03	108,587	128,751	139,880	n.a.
LEBANON	2.96	260,000*	277,000	n.a.	n.a.
LIBYA	2.54	80,000*	90,000*	n.a.	n.a.
MOROCCO	17.80	190,000	198,500	204,500	n.a.
OMAN	.80	2,500	3,701	7,307	n.a.
QATAR	1.00	18,289	20,908	24,403	60,000 (1980)
SAUDI A.	9.24	100,600	125,000*	160,000	560,000 (1981)
SYRIA	7.60	146,000	160,000	176,930	n.a.
TUNISIA	5.97	114,250	126,750	n.a.	n.a.
U.A.E.	.70	34,282	44,278	49,150	450,000 (1980)
YEMEN AR	6.87	4,600	5,000*	n.a.	n.a.
YEMEN PDR	71.75	10,500	11,000*	n.a.	n.a.
TOTALS	161.85	2,630,973	2,881,632	—	—

* Estimate
† Year ending December 31

David Brown gets £3m contract

DAVID BROWN Tractors of Huddersfield has won an order, worth approximately £3m., covering the supply of 600 tractors and technical aid to Libya.

Shipment of the tractors, some of which will be sold to individual farmers and the rest allocated to various state-sponsored agricultural projects, will begin in the next few weeks.

As part of the contract, the U.K. supplier will provide facilities in this country and in North Africa for the training of Libyan personnel in operational and servicing techniques and will assist in setting up service/repair facilities and replacement parts stocks.

● APV Paramount of Crawley, Sussex, has been awarded a contract for the supply of 1984 reformer tube assemblies and 16 collector manifolds for the two large capacity methanol plants being designed and engineered for construction by Davy Powergas at Tomsk and Gubaba in the Soviet Union.

APV Paramount's share of the contract for these methanol plants, each with a capacity of 2,756 short tons a day, amounts to nearly $6m.,

EEC protest over steel

BY DAVID BUCHAN

DESPITE the continued strength of EEC steel exports to the U.S., Community officials have complained that U.S. trigger prices—introduced in February to curb cheap imports—still discriminated against Community exports in favour of Japanese steel.

The Commission was commenting on this week's U.S. announcement of a 5-6 per cent. average rise in the trigger prices, to come into effect on July 1 and chiefly made necessary by the fall in the dollar and the rise in other currencies, notably the yen.

Brussels officials had been expecting the rise, but said that it still did not iron out the distortion in transport costs which puts the trigger price for EEC exports entering the U.S. market through the Great Lakes higher than those for Japanese steel unloaded on the U.S. Pacific Coast. The Commission also complains that U.S. domestic list prices are still often below the trigger prices. This means that EEC exports cannot match these domestic steel prices, without running the risk of incurring "dumping" charges.

In addition, the EEC is still unhappy that a number of anti-dumping cases opened last year on EEC steel, mainly on the British Steel Corporation, are still being pursued in the U.S. courts.

World Economic Indicators

(INDUSTRIAL PRODUCTION 1970=100)

	March '78	Feb. '78	Jan. '78	March '77	% change on year
U.S.	134.6	132.6	132.2	128.8	+4.5
HOLLAND	124.0	126.0	126.0	127.0	−2.4
ITALY	130.4	119.8	122.4	138.7	−6.9
W. GERMANY	114.1	112.3	108.7	115.4	−1.1
	Feb. '78	Jan. '78	Dec. '77	Feb. '77	
U.K.	103.8	103.0	102.5	103.2	+0.6
FRANCE	127.0	126.0	123.0	127.0	0.0
	Jan. '78	Dec. '77	Nov. '77	Jan. '77	
BELGIUM	106.6	105.5	119.6	108.8	−2.0
JAPAN	132.3	130.9	129.8	128.8	+2.7

Grain markets remain firm

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

GRAIN markets continued firm last week with the result that improved freights have been maintained and the value of secondhand bulk carrier tonnage has continued to rise.

Although brokers are agreed that grain alone will not be enough to move the shipping sector from the bottom of its present trough, most are agreed that grain rates themselves are unlikely to weaken before mid-June. The test will then be whether they can survive a seasonal lull without heavy falls.

Last week $7.20 was accepted for a 50,000 dwt carrier Gulf-Continent and timecharter rates are currently $5,000 for a 27,000-tonner on a Great Lakes round and $5,250 for a 50,000-tonner on a transatlantic round. Timecharter rates are expected to continue to improve for Panamax-size vessels (around 76,000 dwt) in both the Atlantic and Far East.

Galbraith Wrightson notes, however, that there is still no substantial demand from grain charters for period charter deals, indicating uncertainty about the staying power of the present market surge, which has lifted some timecharter rates over 60 per cent. in the last month.

In the raw materials sector of the dry bulk market, better rates have also been obtainable, mainly as a spin-off from the grain markets. An 80,000 dwt ore carrier Monrovia-Holland was reported at $3.45—again a sharp improvement on the levels of a month ago.

There is no sign, though, that this heralds a major upswing in ore and coal movements for the steel industry. Japan, although forecasting an increase in steel output this year, is expected to have five weeks' supply of coking coal in stock by the end of June, against a normal stockpile of ten days.

Livelier dry freight markets have succeeded in boosting used ship values at a time when a number of UK owners are seeking to unload older tonnage. Ocean, Bank Line and C. T. Bowring have all made recent sales.

Threat to UK's exports to US

By Christopher Dunn

RISING INSURANCE costs to cover the growth in product liability damages awarded in the U.S. may be threatening British exports to America.

Premiums to take U.S. product liability risk into account had increased very substantially in the past four years, the British Insurance Association warned last week.

Other sources put the increase in insurance costs for exports to the U.S. at 20 times.

Export profit margins had been hit as a result, said Mr. Eric Tomlinson, assistant secretary of the Manchester Chamber of Commerce. Some exporters were now contemplating a complete withdrawal from the U.S. export market.

HOME NEWS

Prospect of U.K. deal with McDonnell Douglas appeals

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CABINET committee studying future U.K. civil aircraft and engine manufacturing programmes is expected to meet tomorrow to review progress made so far in talks between Mr. Eric Varley, Secretary for Industry, and the chiefs of U.S. aircraft companies interested in working with the U.K.—Boeing and McDonnell Douglas.

The committee, which is chaired by the Prime Minister, is not expected to take any airframe decisions but it is thought that it could be close to a decision on authorising full development of the Dash 535 version of the RB-211 engine.

The committee include Mr. Healey, Chancellor of the Exchequer, Mr. Edmund Dell, Secretary for Trade, Mr. Fred Mulley, Secretary for Defence and Mr. Harold Lever, Chancellor of the Duchy of Lancaster.

At this stage, despite some reports, the committee is not ready to commit itself to making recommendations to the full Cabinet on whether the U.K. should build a new generation of short-to-medium-range airliners with a U.S. company or with Western Europe.

One reason for this is that while Mr. Varley has already met Mr. E. H. Boullioun, president of Boeing Commercial Airplane and Mr. Sanford McDonnell, president of McDonnell Douglas, he has still to meet Mr. Roy Anderson, chairman of Lockheed, who arrives in London this week.

Thus, suggestions that the Cabinet is thinking of ditching the Boeing offer in favour of a deal with McDonnell Douglas are premature.

There is no doubt that the prospects of a deal with McDonnell Douglas are attractive, because that company can offer a wider range of collaborative activities than Boeing, covering, for example, military aircraft and guided weapons as well as civil aircraft.

Lockheed claims

Also, the McDonnell Douglas plan for an Advanced Technology Medium Range (ATMR) transport is regarded by some in the UK as being just as promising technically as the proposed Boeing 757 short-to-medium range jet or the Joint European Transport (JET).

Moreover, some of the senior management of British Aerospace would be happier working with McDonnell Douglas than with Boeing if it came to a question of choosing between the US or Western Europe as a partner in civil programmes. This is because they have already worked closely with McDonnell Douglas on a number of programmes, such as the Harrier for the US Marine Corps.

But the claims of Lockheed to some consideration cannot be overlooked. Mr. Anderson is likely to argue strongly that Lockheed has already supported the UK aerospace industry, and Rolls-Royce in particular, more than either of the other two big US companies, and that its plans for its own new versions of the TriStar—the Short-Range Dash 400 and the smaller Dash 600 TwinStar—could provide substantial work for the UK.

All these arguments must be closely considered by the Cabinet committee before it can settle for a collaborative venture with one company or another.

There is a growing belief in the aerospace industry that, even if a decision on a specific collaborative programme takes more time to emerge, there is no reason why the Committee cannot recommend to the Cabinet that Rolls-Royce be given the go-ahead to start full development work now on the £250m. Dash 535 version of the RB-211 engine.

It is also being argued strongly in the aerospace industry that the Government can just as easily authorise British Aerospace to start full-scale development work now on the proposed HS-146 feeder-liner.

The view in British Aerospace is that because this project would be totally under U.K. control, with no collaborative work involved (although the engines would be US Avco Lycomings bought off the shelf), it does not have to be lumped in with the other, bigger, ventures that require delicate decisions on international collaboration.

Chary

The Government's problem is that both the Dash 535 engine and HS-146 together would account for more than £400m. of available resources, at a time when the costs of future international collaborative programmes have still not yet been precisely determined.

The Government's main fear—which the Cabinet committee must have very much in mind—is that it could very easily find itself committed to expenditure on aerospace projects amounting in all to nearly £1bn., if 535, HS-146, and a share in a new civil jet and other new engine venture such as the RB-432 Spey replacement, are all launched.

The committee, therefore, has to consider not only which way it wants to see the UK aerospace industry moving in the future but also how much it wants to spend on new projects for the industry as a whole.

Special agency urged for oil cash

Financial Times Reporter

NORTH SEA oil revenue should be administered by a special agency that is not subject to Treasury control, the Church of Scotland urges in a report published today.

It says that, once decisions have been made on spending the income from North Sea oil, they should "not be interfered with for purely financial reasons, nor should the revenues be absorbed into general Government expenditure."

A special agency or agencies should therefore be set up.

The report stresses that Scotland should be given special treatment when it comes to spending the money from North Sea oil. The oilfields lay on the Scottish Continental shelf, unemployment in Scotland had been worse than in England and Wales for many years, Scotland had 95 per cent. of the most deprived areas in the U.K., and emigration had been a "running sore" for a long time as a result of lack of opportunities.

The Church of Scotland's church and nation committee, which wrote the report, calls for a "considerable proportion of the oil revenues" to be spent on reviving the Scottish economy so that there is a comparatively uniform standard of living throughout the U.K.

It says that the money could also be used to reduce taxation on industry, repay some Government debts, increase overseas investment, and to finance research into alternative, non-pollutant energy resources.

The report is to be presented to the Church's general assembly, which opens in Edinburgh on Saturday.

Maxwell seeks Labour seat

Mr. Robert Maxwell, the publisher, is one of 30 applicants for the Northampton South Labour vacancy left by the resignation of the prospective candidate, Mr. John Bilks. The seat is held by Mr. Michael Morris (Conservative).

Benefits of going back to the land

A PLAN for cutting unemployment and reducing food imports by setting-up a series of horticultural villages throughout the UK has been put forward by Mr. Konrad Smigielski, former city planning officer of Leicester.

He said that the plan was for semi-rural communities, each about 1,000 stong. Key features of the villages would be labour-intensive horticulture, organic farming, craft co-operatives, houses built and designed by the villagers themselves, and the use of wind, of sun and of waste digesters to produce all the energy required.

Creating extra jobs 'will cut efficiency'

BRITISH INDUSTRY cannot improve its efficiency and at the same time provide extra jobs to stem unemployment, according to Mr. Arthur Tait, personnel director of ICI Mond division.

Writing in the latest issue of Commerce International, journal of the London Chamber of Commerce and Industry, he says if industry is to produce the wealth required to meet popular demand for goods and services, it "will not and should not produce all the necessary extra jobs."

If Britain is to improve her international competitiveness there must be a technological switch from labour to capital intensive industries.

Prospects for future high employment levels must therefore be poor, especially as the UK population is expected to grow over the next 15 years.

Mr. Tait adds that while there are no obvious or absolute remedies for the long-term unemployment problem, a number of measures could still be taken to ease the situation.

These include the building up of a strong small-business sector which should be encouraged by both the Government and large employers.

Speke air traffic to double

THE Independent British Midland Airways, which is preparing to take over and expand the services at present operated by the State-owned British Airways at the Liverpool Municipal Airport at Speke, aims to double the passenger traffic from the airport in three years.

Mr. Michael Bishop, 35-year-old managing director of the independent British Midland, forecast that the airline would carry 350,000 passengers in the first 12 months.

But he warned that this was the last chance to make the airport viable.

Scope for roll-on roll-off ships on deep sea routes—report

BY LYNTON McLAIN, INDUSTRIAL STAFF

A PROSPEROUS future for roll-on roll-off ships in deep sea trade is forecast in a report by the Marine Transport Centre of the University of Liverpool.

There is serious over-capacity in roll-on roll-off shipping on the short North Sea routes, but over longer distances there is scope for a further rise in the share of the freight market carried by these specialised vessels.

The system has been a major force in general cargo shipping since the 1970s. Before then the major advance was the containerisation of international trade.

In the last two or three years, however, roll-on roll-off ships have penetrated the container ship market. There 200 ships are in use or on order for long distance trade.

The centre evaluated the use of these ships for deep sea trade after criticism that they used cargo space inefficiently. This might produce high costs and limited opportunities for deep sea trade.

The report says there is a space loss of 4 per cent. when 12 metre road trailers are stored in place of containers up to deck level. It points out that there is a substantial space loss of two thirds in terms of available bale capacity, a measure of cargo capacity on general cargo ships, when road trailors are carried.

Loss of space is one of the penalties for faster cargo handling common on roll-on roll-off ships, the report says. But where cargo is stored on deck these ships can match container ships in the use of space.

Southampton wins timber trade

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE PORT of Southampton—where labour trouble is still keeping out ships on the newly containerised South African service — has won a large contract for the import of forest products from North America.

Under the deal, 120,000 tonnes of inward cargo will be handled for the International Paper Company.

The business has been won from Felixstowe, one of Southampton's main private sector competitors.

The berths to be used for the new traffic, which will include newsprint, are the conventional cargo berths abandoned in the switch to containers on the South African trade.

This is the first forest products traffic won by Southampton, which has spare capacity as a result of the South African change.

There is still no definite indication when the first South African ship will be able to dock.

Foremen have so far not signed a working agreement for the new berth, although there is now some hope that they may do so in time to permit the unloading of the City of Durban at the end of this month.

The new berths were ready for use in January, since when container ships from South Africa have been transhipping goods into Britain via mainland European ports.

Felixstowe is one of the U.K. ports which has benefited from this situation.

Road hauliers face heavy Austrian tax

BY IAN HARGREAVES

ROAD HAULIERS setting out for journeys to Eastern Europe have been warned by the Department of Transport to carry enough cash to pay tough transit taxes which are expected to come into force in Austria on July 1.

The departments says drivers will be asked to pay the tax in cash on entering Austria. The amount will depend on the vehicle's payload and the distance the driver expects to travel in Austria.

Under the terms of a draft law expected to be approved by the Austrian legislature soon, hauliers will have to pay 0.25 Austrian schilling for each tonne of permitted payload capacity, multiplied by the number of kilometres the driver intends to travel.

As vehicles leave Austria customs officials will check the actual distance travelled and adjust the tax charge.

According to the department the journey between Salzburg and Vienna for a vehicle with the maximum permissible payload of 20 tonnes would be 1,350 schillings (£49). There is a maximum per calendar month of 100 schillings (£3.60) per tonne for vehicles with maximum payload of 8 tonnes and 200 schillings per tonne for vehicles with greater capacity.

Hauliers are advised to check with their trade associations before leaving for Austria about any changes in the level of tax.

The Austrian Government originally proposed taxes four times as heavy as those contained in the draft law, but withdrew them after an outcry from hauliers' representatives and after discussions with the EEC.

Austria is a key transit point for the important road trunking roads to Turkey and Iran. The Austrian Government says it requires the new tax if users are to pay a proper contribution towards road costs.

Bid fails to keep lorry order in Britain

By John Lloyd

A RECENT National Coal Board order for ten U.S.-manufactured Euclid 85-ton trucks was delayed for six weeks because of a last-minute plea by a Labour MP for the Board to buy British vehicles.

The NCB looked at roughly similar trucks from two U.S. companies — Caterpillar and Euclid — and from General Motors, which manufactures most of its Terex trucks in the U.K.

The three trucks were tested over twelve months by the Board, which then decided in favour of Euclid in early March.

However, Mr. James Hamilton, MP for the Bothwell constituency on the outskirts of Glasgow, in which the General Motors New House truck plant is sited, asked Sir Derek Ezra, the Coal Board chairman, to reconsider. He argued that the Board's order to Euclid might endanger jobs at New House.

The Coal Board reviewed its order over six weeks, but in the end confirmed the Euclid vehicles as its first choice. Its decision was based on what it considered to be the superior performance of the U.S.-made truck.

Future

Mr. Hamilton, however, hopes to influence future orders by the NCB. He is to meet Mr. Robert Lindley, the director of its Opencast executive, which will operate the trucks, and will also arrange a meeting between Mr. Lindley and General Motors.

The Coal Board follows a general policy of buying British equipment where there is a product available of the type required.

Business stationery may go out of date

BY JAMES McDONALD

SALES of commercial stationery, together with commercial envelopes, will be vulnerable in the long-term to new communications techniques, a report by Jordan Dataquest suggests. In 1976, these sales were worth £186m. and accounted for almost 55 per cent. of the stationery market.

The report, which provides a financial summary of 251 U.K. stationery manufacturing and distributing companies, says: "Telephone usage will continue to increase at the expense of the post, and the latter will be put under added pressure as push-button instant information systems like Ceefax and Viewdata gain establishment."

Other developments could mean that business correspondence sent through the post will give way to matter transmitted direct from sender to recipient by teletype networks.

"Filing as it is now known could be revolutionised by microfilming becoming commonplace, not to mention the possibility of storing information on computer tapes housed in centrally-sited information banks.

"Cassette pocket recorders could also lead to the interchange of cassettes via the post, so decreasing the present volume of letter writing," the report says.

Stationery, Jordoan Dataquest, 47, Brunswick Place, London, N1; price £32.

Leyland plans Unipart venture for Australia

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

UNIPART, the British Leyland vehicle replacement parts company, is setting up a new operation in Australia.

This will be Unipart's first overseas venture, and the aim is to build up a £4m. turnover in the first year. Within three years the company hopes to generate sales of between £15m and £20m.

British Leyland's operations in Australia, having been severely cut back in recent years, made a profit of £2.2m last year. With the Unipart business these activities will be widened to sell parts for most cars on the Australian market.

Already, about 35 retail outlets have been established by the company, and a contract has been signed to supply 1,000 BP service stations. Another contract is in the pipeline with a leading tyre chain to bring in 180 more retail outlets.

Leyland says the main reason for expanding in Australia was that the company out there was extremely keen to expand its business with the Unipart range. The finance to set up the organisation is being raised locally, and a considerable proportion of the parts supplied will come from UK sources.

The company calculate that the total parts replacement market in Australian is worth about £350m a year.

Corrosion expert wins award

Mr. Joseph Cotton, former chief scientist in the research and development department of IMI (formerly Imperial Metal Industries) at Witton, Birmingham, has been awarded the 1978 Frank Speller Newman Award of the American National Association of Corrosion Engineers.

'Vast area' of offshore coal found

A VAST area of coal has been found two miles offshore in the Dee Estuary, North Wales, the National Coal Board said yesterday.

"Early results indicate that there should be a full range of coal seams to be worked from the 640-man Point of Ayr Colliery well into the next century."

Complete analysis of the structure has still to be made, but Mr. John Blaiklock, the chief mining engineer, said it looked "very promising."

The seam was found during a £2m. drilling project, which is described as the biggest single investment in the North Wales coalfield.

• An £18m. reconstruction scheme is being carried out at Shirebrook Colliery, near Chesterfield. Part of the improvements will come into operation in August, and will help to increase output to more than 1.3m. tons this year.

More than a hundred witnesses in Caplan extradition case

FINANCIAL TIMES REPORTER

THE CHIEF Metropolitan Magistrate, Mr. Evelyn Russell, will today start taking evidence for the extradition proceedings abroad against Mr. Gerald Caplan, 46, former chairman of London and Counties Securities, and Mr. Trevor Pepperell, 50, a chartered surveyor, who was at one time his business associate. More than 100 witnesses will attend at Bow Street Court, between now and Wednesday to provide full depositions for the charges against them.

Mr. Caplan is in custody in Los Angeles on a charge of stealing £2.4m from London and County Securities. Mr. Pepperell is held in Oldenburg, West Germany on the £2.4m charge.

A mass of documents from the next three days' hearings at Bow Street court which will be held in private before the magistrate, will be sent by the Director of Public Prosecutions to the court authorities in California and West Germany for the contemplated extradition proceedings against both men.

The witnesses will include former executives and other directors of London and County Securities, many businessmen and financial experts who were concerned in some of the company's transactions.

Key economic indicators out this week

BY DAVID FREUD

THE MARKETS will be watching for a string of key economic indicators this week—in particular the trade figures released today.

Official figures on the money stock, due on Thursday, are likely to confirm excessive growth in the money supply in April.

The next day the rise in the retail prices index is expected to drop to below 8 per cent, compared with the 9.1 per cent recorded for March.

In the "real" economy the provisional figure for retail sales in April will be closely scanned today to see if the Budget made any impact on consumers' confidence as reflected in their spending. Provisional figures for industrial production in March are released tomorrow.

The markets have been unsettled in the last month by the evidence of the balance of payments again becoming a constraint on expansion in spite of North Sea oil.

Accordingly, a good set of figures after the £164m. deficit recorded in March would tend to restore stability.

There are hopes that the April figure will conform to the feast and famine pattern that seems to have developed since the beginning of the year and recover much of the March loss.

Sterling M3 is expected to show increases of 2 per cent. or more in the month to mid-April following the jump in eligible liabilities of the banking system disclosed last week.

This will take the growth in money supply for the year as a whole substantially beyond the 13 per cent. ceiling set by the Chancellor.

When the revisions to the seasonal adjustments announced last week are taken into account, the increase for 1977-78 could turn out to have been as high as 16 per cent.

A sizeable drop in the rate of retail price inflation is certain because the gain in April last year mainly due to last year's Budget, will have worked through the index.

Medical advances pose cash problems

BY DAVID FISHLOCK, SCIENCE EDITOR

TREATMENT OF kidney failure by dialysis will be costing the Health Service £120m a year by the end of the century, at 1977 prices, compared with about £25m today, according to a report published today.

The report—by the Office of Health Economics, a research unit funded by the British pharmaceutical industry—shows that the cost of providing kidney machines is only a small part of the cost of treating kidney failure.

In the April Budget the Government earmarked £3.5m for the National Health Service to purchase another 400 kidney machines and to pay for their running costs for a year. This was in response to strong pressure to expand such facilities in Britain.

The extra 400 will make it possible to treat by dialysis—a blood treatment process which replaces a large portion of natural kidney function—about half those who suffer kidney failure in Britain.

The average cost of the 4,000 people on treatment in Britain at the end of 1976—38 per cent. of whom subsequently received a kidney transplant—was £5,500 a year.

Renal failure: A Priority in Health ?—Paper No. 62, Office of Health Economics, 162, Regent Street, London WIR 6DD; 35p.

Thatcher issues election challenge

By Ray Perman, Scottish Correspondent

OPPOSITION LEADER Mrs. Margaret Thatcher challenged the Prime Minister at the weekend to call a General Election before October.

She told a rally which ended the Conservative Party Scottish Conference in Perth that the time had come for the people to make a decision.

The country's confidence, its economy, and its currency could not afford another winter of uncertainty.

In a bitter attack on socialism, she accused the Government of debasing not only the currency but also the nation's standard of citizenship. Labour was creating a society where the struggle to pay the bills left people no time to think of responsibilities to their neighbours.

The Conservative party was ready for an election and raring to go. In Scotland it had shown up the SNP for what they are.

They want to tear our country apart for their own narrow ends. "They thought they could build indefinitely on the politics of frustration. They thought they could lure the Scottish people on to the rocks of separatism.

"They were wrong. Now they are as worried as the Liberals about losing their seats. We will not disappoint them."

Reform

Mr. Reg Prentice, the former Labour Cabinet Minister, who was addressing a Conservative conference for the first time, received a standing ovation.

He said that a Conservative Britain had to be compassionate as well as efficient and needed an element of reform.

The mood of the conference, however, seemed more for a return to Right-wing policies and away from reform. Among motions approved was one calling for heavier penalties for crimes of vandalism and violence.

An amendment demanding that murderers should be shot was lost only narrowly.

The conference also voted to curb the activities of the Scottish Development Agency and to campaign vigorously for a "No" vote in the referendum on Scottish devolution.

Mr. Francis Pym, the party's spokesman on devolution, said that the Government's Scotland Bill was so unsatisfactory that there was no choice but to campaign against it.

The election of a Conservative Government would enable a fresh approach to be taken on devolution.

Threats to Press 'from groups'

PRESS FREEDOM is threatened by both internal and external groups, according to Mr. Donald Stewart, Scottish National Party Parliamentary leader.

Mr. Stewart said to the Scottish Newspaper Proprietors' Association annual conference, in Rothesay: "There is the threat from politicians who resent the presentation of news which they consider inconvenient.

"There is another threat to Press freedom arising from the aims of affection of the National Union of Journalists. We see the rise of an element in that union who wish to dictate how news will be presented, to close out members of other unions and even to aim at a Press which would be wholly written by NUJ members."

The Press must repel the attacks, for Press self-interest was the public interest, he concluded.

Mr. Fred Johnston, SNP president, later criticised the centralisation in England of trade union power.

"The loss of their separate Scottish identity has made trade union leaders less aware of their responsibility than they were in the past." Union leaders saw Scotland as a suitable venue for test campaigns in much the same way as advertisers might, he said.

Few scrap dealers cast votes

By Our Own Correspondent

MOST of the members of the British Scrap Federation now appear to have accepted the inevitability of radical changes in the buying policy of their biggest customer, the British Steel Corporation—after four years of bitter debate.

A new ballot of members produced an "abysmal" response, with only 158 of the 593 member companies troubling to reply, the federation's retiring president, Mr. Eric Cross, told its annual conference which ended at Eastbourne at the weekend.

The ballot followed a threat by some merchants based in Yorkshire to set up an independent group which would totally oppose the two-tier buying system of the corporation and concentrate on sales to private sector steel works and steel foundries.

Mr. Cross said that 97 of the member firms who replied were against the corporation's policy, with 61 expressing their satisfaction. "As far as I am concerned, I never want to hear the subject of the two-tier buying system mentioned again," he added.

Tanker wreck decision to-day

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

SALVAGE WORKERS and divers managed yesterday to stabilise the bow section of the broken Greek tanker Eleni V off the Suffolk coast and probably will make a decision today on what should be done with her remains.

Captain Tony Oakley, managing director of United Towing (Marine Services), said last night that he did not think the scrap value of the hull and the possible £80,000 value of the remaining 2,000 tons of contaminated oil made the Eleni V a commercial salvage proposition.

In view of this, it is most likely that United Towing, which is working under contract to the Department of Trade, will be asked to tow what is left of the tanker well out to sea and sink it, although this could create problems under interantional anti-pollution accords.

Another option, having refloated the hull, is to tow it to a nearby buoy or even to port and pump out the oil, although it may be decided that towing to port also poses unacceptable pollution risks.

It is still not known how badly damaged is the remaining section of the ship. A team of 20 divers has been engaged in the twin operations of pumping air into the vessel's compartments to improve its buoyancy and in welding a unit on to the bow so that a towing chain can be shackled to it.

These tasks have now been completed and a general survey of the vessel will be made today.

Two tugs, the Scotsman and the Irishman, are on hand to tow the vessel which, with its cargo, is thought to weigh about 4,000 tons. No further pollution of East Anglia's coasts was reported yesterday.

Minister for children call from Joan Lestor

THE APPOINTMENT of a Minister for Children was called for yesterday by Miss Joan Lestor, Labour Party chairman and MP for Eton and Slough.

Miss Lestor, a former Minister, told the National Conference of Labour Women at Southport: "It is time the Prime Minister looked at the way in which we ought to be having a more co-ordinated service to serve children and the family.

"Some areas are sadly neglected, partly I fear as the result of the rather hamfisted reorganisation of local government."

Miss Lestor set out a range of problems which she suggested should be co-ordinated under one Ministry. Among these were children who had to go to prison with their mothers, battered children, unemployed teenagers, and children who suffered, such as those affected by the thalidomide drug and the whooping cough vaccine.

Mrs. Joyce Gould, the Labour Party's chief women's officer, said British women were still second-class citizens despite the sex discrimination and equal pay laws.

She told the 300 delegates equality for women was still far away

But the demand that women should have a larger role in society did not prevent an angry attack on Mrs. Margaret Thatcher who was accused of doing a dance of Salome, tantalisingly unveiling her real policies one by one.

COMPANY NOTICES

LABOUR NEWS

Executives in BSC apply to join TUC

BY PAULINE CLARK, LABOUR STAFF

THE Steel Industry Management Association, representing some 12,500 middle and senior managers in British Steel Corporation, has applied for affiliation to the TUC.

The move was made known yesterday as leaders of the union expressed their mounting dislike of plans to introduce a worker participation structure in the corporation which would exclude representation of managers as employees.

The union will be acting on a mandate to seek affiliation to the TUC given two years ago by its conference. It believes its membership has only recently become ready for the formal approach to be made.

A new structure of top-to-bottom consultation between workers and management in the steel industry has been outlined in a joint working party report to be discussed between the corporation's management and the TUC steel industry committee early this summer.

The management association was not invited to join the working party and is concerned lest, as in other nationalised industries such as shipbuilding and aerospace, its interests should be ignored under pressure from the stronger manual-worker unions.

Mr. Frank Collins, deputy general secretary of the association, described his union's exclusion from the working party's "Steel Contract" report as "a glaring omission."

"I do not believe that this exclusion is the wish of BSC. It arises from an outdated union stance, and we expect full consultation on any new representation structure."

Before the setting up of the working party, the corporation had assured his union of its wish for more dialogue on the issue with the union. The matter, he added could certainly be expected to be a major item on the association's annual conference in October.

No merger

Clearly, acceptance of the association by the TUC would help BSC to argue that the union should have a voice in the proposed industrial democracy system. Acceptance may depend on whether existing TUC-affiliated organisations in the industry—in particular the Iron and Steel Trades Confederation—are keen to recruit management employees to their ranks.

A proposed ballot on a merger between SIMA and the ISTC finally fell through two months ago, and the future relationship between the two remains uncertain.

The association thinks it has a vital role to play in any consultation structure set up to improve co-operation on the loss-making industry's radical reorganisation plans.

Although managers will play their part in the structure, it will be as decision makers and not employees. The union points out that managers, as well as manual workers, are victims of the programme of closures in the national scheme to cut costs and revitalise the industry.

Managers' union here to stay, says Lyons

By Alan Pike, Labour Correspondent

THE MANAGERS' UNION, which is fighting for national recognition from British Shipbuilders, has without doubt arrived in the industry, Mr. John Lyons, general secretary of the Engineers and Managers Association, said at the weekend.

He was speaking at the Shipbuilding and Allied Industries Managament Association annual conference at Newcastle.

It was disappointing that the British Shipbuilders Board had not granted the association immediate full recognition, said Mr. Lyons. But it was much more significant that in spite of pressure from the TUC and Confederation of Shipbuilding and Engineering Unions, the Board had refused to be dictated into making a decision against recognition.

The association, of which SAIMA is part, was involved in a battle with TASS, the white-collar staff section of the Amalgamated Union of Engineering Workers, over whether professional and managerial staff should be entitled to belong to a union standing for their own right.

Powerful forces were opposed to the association, but it was steadily gaining in strength and support, added Mr. Lyons.

Determined

At its last meeting the British Shipbuilders Board made no decision on national recognition for SAIMA, but reaffirmed its status as a relevant union.

The Board also declared its determination to try to find a basis for agreement between the managers association and the confederation unions.

Delegates to the conference unanimously adopted a motion describing the British Shipbuilders decision as action which "greatly strengthens" SAIMA's standing in the industry.

The motion stressed the managers' desire to work closely and harmoniously with the confederation unions, but also reaffirmed their "total determination to secure the ratification of the outstanding national recognition agreement."

If the Board's efforts to resolve the problem failed, the managers warned that they would, if necessary, turn to "effective industrial action either to protect or advance the association's legitimate right" to represent the overwhelming majority of the industry's managers.

Mr. Lyons said after the conference that he expected initiative from British Shipbuilders to try to resolve the recognition problem and was optimistic about the outcome.

Industrial democracy plan from Tories

A 12-POINT plan for industrial democracy under the banner "One Nation" has been published by the Conservatives, only a few weeks before the White Paper on the Bullock report is expected to be published.

The plan is outlined in a letter from Mr. Jim Prior, Shadow Employment Secretary, and Mr. John Nott, member for St. Ives, to Mr. Fred Hardman, chairman of the Conservative Trade Unionists' National Advisory Committee.

The MPs say that unless old attitudes of class warfare, conflict and hostility are broken down there never will be a breakthrough to achieve improvements in living standards.

They say a vital question for the next Tory Government will be how to promote a period of greater stability in industry, while ensuring that the hopes of people at their place of work can be met.

"What better way to proceed than through the creation of 'One Nation' at Work?" they say.

The MPs say reports about the White Paper's content suggested "another blow at our management's ability to manage and yet a further extension of the power of the unions at everyone else's expense. There was little prospect of Labour devising policies needed to combat unemployment.

"Britain's industrial future lies as much with new industries often of medium size, based on a high added value, high skills and great flexibility of working at all levels, as it does with the giant companies," the letter says.

The 12-point plan would take account of the problems and included:

- Worker participation starting on the shop floor;
- No legislation forcing companies into constitutions incompatible with their needs;
- Company law amended to reflect existing practice in industry;
- Arrangements for consultation and participation in the public sector; and
- An emphasis on the needs of the individual at work.

NGA to discipline men who stopped Observer

BY OUR LABOUR STAFF

THE NATIONAL Graphical Association, one of the biggest print unions in Fleet Street, intends to discipline members on the Observer who prevented the Sunday newspaper appearing yesterday because of an unofficial dispute over manning.

Mr. Les Dixon, general president of the union, said 25 striking machine minders who walked out because management refused to take on an extra five workers had defied an instruction by the union.

He agreed general industrial relations problems in Fleet Street had to be reduced, but blamed managements equally for the current problems. "They have made too many one-off deals with their employees when troubles have come up and this has been without regard to the general interests of Fleet Street."

The planned clampdown on Fleet Street dissidents by the 108,000-strong union is likely to be welcomed as a further sign by the powerful printers' unions that they will take steps alongside management to try to improve industrial relations on national newspapers

The industrial relations crisis in newspapers will be debated in the Commons on Thursday.

Some leading print unions have already indicated that they will co-operate with the management of the Times group in starting a dialogue aimed at solving the group's own problems.

The National Society of Operative Printers, Graphical and Media Personnel decided last week to seek talks with Times management on the problem. An NGA executive meeting agreed to hold talks with London regional and chapel members as a preliminary to later meetings with Times management.

Dairy industry workers to vote on £7.30 offer

UNION BRANCH representatives of about 65,000 workers in the dairy industry are to vote shortly on a novel pay deal which will give them £7.30 more a week but no improvement in overtime rates.

The 10 per cent settlement is being recommended for acceptance by the unions in the form of a supplement rather than basic pay increase.

This is in spite of their members having had no basic rate rise over the past two years under Phase I and II of the Government's incomes policy.

The Union of Shop, Distributive and Allied Workers, the biggest union in the industry, said that the 10 per cent rise calculated on the average national earnings in the industry was favoured as an across-the-board supplement.

This would be "simpler" for employees to understand and was equitable without having to work out complicated formulae for each section of workers with widely divergent overtime schemes.

The deal is unusual because in most other industries at least part of the 10 per cent increase allowed under the present pay code has been put into basic pay rates on which overtimes are calculated.

Mine rescue men in talks

MINERS' LEADERS are to meet today to discuss a strike by pit-disaster teams.

The action by the elite corps of men, who are withdrawing from their life-saving duties, will be reviewed by the Yorkshire area NUM executive in Barnsley.

Yorkshire miners' leaders rejected a call for an all-out stoppage in support of 36 rescue brigade men angry over poor bonus payments.

Seamen move to end fines

THE Executive of the National Union of Seamen is to back a call for seamen to refuse to man ships which enforce discipline through fines.

The recommendation is part of an emergency motion being submitted to the union's biennial conference today expressing concern at the slow progress in legislating for the abolition of shipboard fines — agreed to in principle by both sides of the industry.

The motion sets a time-limit of the next union executive council meeting in the autumn for the fines to be abolished.

ASTMS 'will avoid clash over public sector pay'

BY NICK GARNETT, LABOUR STAFF

MR. CLIVE JENKINS, general secretary of the Association of Scientific, Technical and Managerial Staffs, said yesterday his union would not pursue any major confrontation with the Government on pay in the public sector in the next wage round.

Pay settlements for the union's 40,000 members in the public sector have been considerably poorer than those concluded in private industry in the last year.

The union says private sector settlements have been averaging 17 per cent., including productivity deals.

Mr. Jenkins told the union's annual conference in Brighton that it would not adopt "Kamikaze" tactics in the public sector or, indeed, in private industry.

"Governments know they can win in the public sector and are willing to take on workers there" The ASTMS would not have a firemen's-type strike.

Union officers have been instructed to compare public and private sector pay with a view to a series of fair wage claims from its members in Government departments.

The union's conference overwhelmingly rejected any fixed norm pay policy after Phase Three.

- The ASTMS is considering legal action against the National Union of Bank Employees over statements made by NUBE during a recruitment battle in one of Midland Bank's subsidiaries.

The conference was told NUBE had issued circulars to staff in the Clydesdale Bank alleging that the ASTMS delegation to the Scottish TUC had voted for the nationalisation of the banks. Bank nationalisation is against ASTMS policy nd the union has denied that its STUC delegates voted for it.

Mr. Jenkins told the conference that the union's solicitors had been instructed to demand a public retraction from NUBE of its "alleged libel."

- Mr. John Bowis, the Conservative Party worker, National Trade Union Organiser, was refused entry as a delegate on Saturday. But Mr. Bowis was able to sit in the visitors' gallery and hear the row about this between the delegates and the executives.

It is the first time the row has come out in the open since Mr. Jenkins disbanded the 80-strong London Banks Staffs branch last month.

About 50 members of the branch are from Conservative Party Central Office.

Mr. Jenkins says he was acting according to the rulebook

Oppose pay restraints public workers urged

PUBLIC SERVICE workers in the 690,000-strong National Union of Public Employees were urged yesterday to oppose any phase four pay policy proposed by the Government.

On the eve of today's economic debate at the union's annual conference in Margate, Mr. Alan Yates, its president, told delegates he believed they would firmly reject another round of pay restraint in whatever shape or form.

Mr. Yates said the Chancellor had already more than hinted that the wanted another deal with the TUC to limit pay increases to about half the current rate. That would leave public service workers with he prospect of a 5 per cent rise in the negotiations to begin this autumn.

The National and Local Government Officers' Association is similarly to put to its conference at Brighton next month a pay policy which opposes "a further year of unilateral pay restraint" in the public sector.

Businessman's Diary

U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 15—17	Int. Domestic Electrical Appliances Trade Fair	Nat. Exbn. Centre, B'ham
May 15—19	Materials Handling and Factory Equipment Exbn.	Belle Vue, Manchester
May 16—19	Specibuild (building products) Conf. and Exbn.	Olympia
May 17—18	German Food and Drink Exhibition	Cunard Hotel, W.6
May 21—24	Int. Conf. and Exbn. European Cellulose and Paper Assoc.	Connaught Rooms, W.C.1.
May 23—25	National Safety Exhibition and Conference	Harrogate
May 24	Business to Business Exhibition	Horticultural Halls, S.W.1.
May 31—June 3...	Royal Bath and West Show	Shepton Mallet
June 5—8	British Hospitals Exhibition	Olympia
June 5—8	Decorative products trade exhibition (Walpadex)	Nat. Exbn. Centre, B'ham
June 5—9	Ind. Process Cont. Instrumentation and Systems	U.S. Trade Center, W.1.
June 6—8	Print Fair '78	New Hort. Hall, S.W.1
June 9—17	The Fine Art and Antiques Fair	Olympia
June 11—15	Shopfitting, contract furnishing, kitchen and bathroom equipment, joint exhibition	Nat. Exbn. Centre, B'ham.
June 25—29	First International Frozen Foods Conf. and Exbn.	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

May 19—27	Public Works Exhibition	Paris
May 22—26	International Advertising Market	Paris
May 23—25	European Petroleum and Gas Conf. and Exbn.	Amsterdam
May 23—26	World Exbn. and Conf. on Industrial Development	Basle
May 28—June 1..	International Industrial Equipment Exhibition	Brussels
May 30—June 4..	Int. Fair of Equipment for Civil Protection	Kranj, Yugoslavia
May 31—June 3..	Int. Bio-Medical Engineering Exhibition	Stuttgart
June 2—11	International Trade Fair	Barcelona
June 4—8	Israel Technology Week	Jerusalem
June 5—10	International Exhibition of Machine Tools and Tools	Zagreb
June 12—16	World Congress on Automatic Control	Helsinki
June 13—21	Int. Rubber and Plastics Conf. and Exbn.	Paris
June 15—18	Solar Energy Exbn. and Congress	Genoa
June 20—24	International Wire Exhibition	Basle
June 24—30	International Dairy Equipment Exbn. and Conf.	Paris
June 27—30	Public Transport Systems in Urban Areas, Exbn. and Conf.	Göteborg

BUSINESS AND MANAGEMENT CONFERENCES

May 16—18	British Fabric Association: Fashion Fabrics for '79	Celanese House, W.1
May 18	Assoc. of British Chambers of Commerce: Educational Standards in Industry; The Trade Union Movement; Reform of Local Government	Piccadilly Hotel, W.1
May 18—19	New York University: New Products—a systematic approach	London Hilton, W.1
May 18—19	Management Centre Europe: Top executives brief on Strategic Business Planning by Dr. Michael J. Kami	Copenhagen
May 19—21	Junior Chamber Scotland: National Conf. on role and responsibilities of the media	Dyce
May 19	London Chamber of Commerce and Industry: Tax Problems of Small Firms	69, Cannon Street, E.C.4
May 22—23	European Study Conferences: Choosing and using trade marks in the Common Market	Luxembourg
May 22—25	British Scrap Federation: Bureau International de la Récupération Convention	Grosvenor House Hotel, W.1
May 23	Audio Visual '78 Exhibition and Conference	Wembley Conf. Centre
May 23	CAM Foundation: Media Solutions to Marketing Problems	48 St. Martin's Lane, W.C.2
May 23	Westminster Chamber of Commerce: Seminar on Exporting	Café Royal, W.1
May 23—26	Marchmont: International Tax Planning Conf.	Barbados
May 24	Imperial College: International Finance	London, S.W.7
May 24	British Institute of Management: Cost savings through materials handling	Tickled Trout Hotel, Preston
May 24	Stock Exchange, Northern Unit: Annual Investment Conference	Adelphi Hotel, Liverpool
May 24—25	Anthony Skinner Management: Improving stock control	Piccadilly Hotel, W.1
May 24—25	Institutes of Chemical Engineers and Civil Engineers: Successful completion of overseas projects	UMIST, Manchester
May 25—26	European Study Conferences: Double Taxation—Taking advantage of international agreements	Old Government House Hotel, Guernsey
May 25	Inst. of Production Engs.: Application of Microprocessors and Mini-Computers in Manufacturing	Metropole Hotel, Birmingham
May 25—26	British Textile Confederation: World Textile Trade—an International Perspective	Heathrow Hotel
May 29—June 2 ..	Dept. of Labour and Productivity, South Australia: International Conf. on Industrial Democracy	Adelaide
May 31	Agra. Europe (London): European Fisheries Conf.	Sheraton Hotel, Brussels
May 30—31	City University Business School: Recent Developments in Internal Auditing	Gresham College
June 1—2	EUROPMI (Organisation for small and medium sized enterprises in the EEC): The Future for Smaller Businesses in the European Community	Kensington Close Hotel, W.8

هكذا فعلت الأهلية

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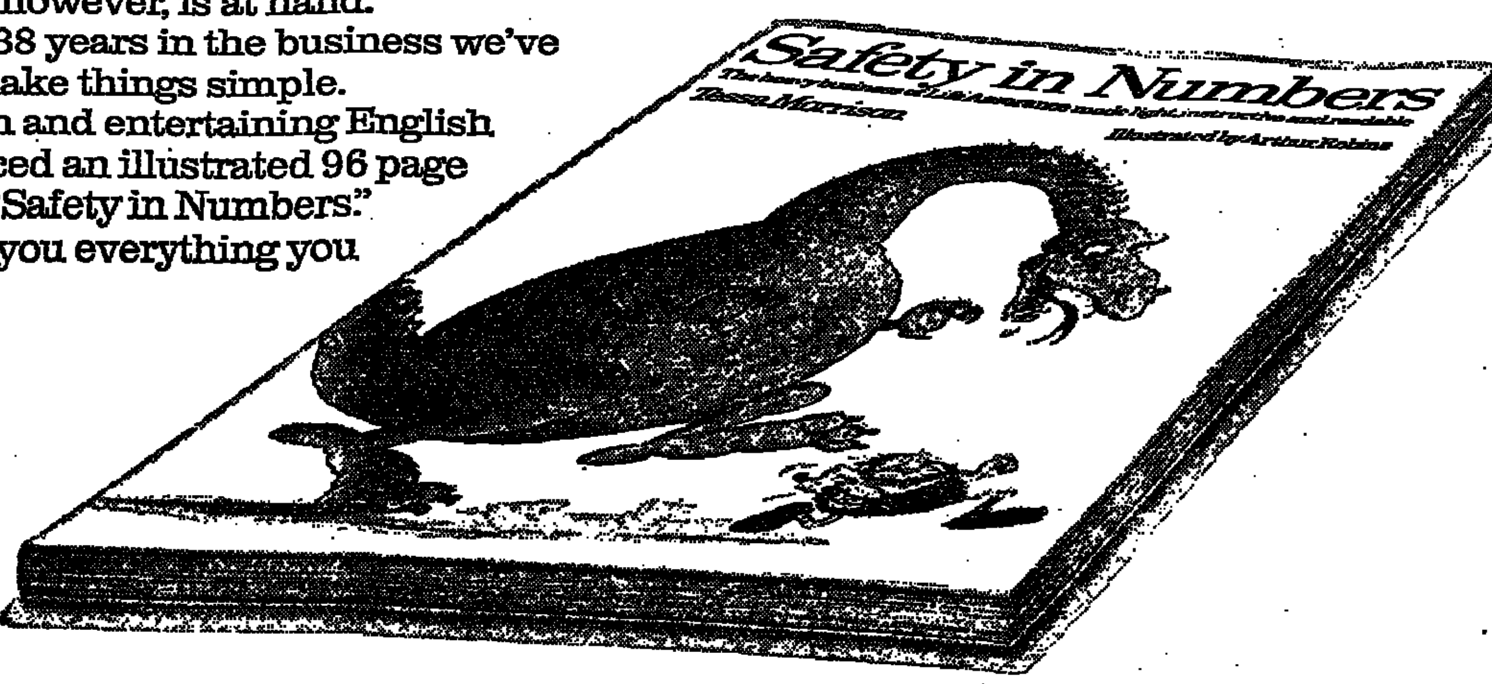

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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● RESEARCH

Weak design points seen at a glance

LARGEST and oldest of the "campus companies" which have come into being in Britain during the past decade, Loughborough Consultants (LCL) this year will reach a turnover of £1m., which is remarkable for a group which draws most of its revenues from operations where no large-scale manufacturing is involved and secures new contracts largely—to the extent of around 75 per cent.—through personal recommendation.

Because of the comparative ease with which the company, under the management of Dr. D. Spikins, can set up brainstorming teams drawn from many disciplines within the company and the Loughborough University of Technology, its reputation is spreading quickly, particularly where manufacturers of outwardly conventional equipment are seeking to produce improved or modified models fast and without problems.

For instance, LCL has done and is still doing important work for several lift truck manufacturers and was responsible for the design of the Giraffe truck which can greatly simplify building operations on housing sites. It has also designed the calibration equipment for such massive test units as the big brake dynamometers designed by Vickers for the testing of supersonic aircraft tyre and wheel systems.

Meanwhile, the company is making a name for itself in the application of laser and holographic techniques to the solution of engineering problems by non destructive testing methods, backed by the facilities of the Mechanical Engineering Department under Professor John Butters.

In one such application, laser interferometry is being combined with television and data storage techniques to permit fast and accurate testing of the modes of vibration of engineering components. This allows a designer to see immediately whether a particular shape is likely to fail quickly, whether the applied vibration might cause laminated plastics to fall apart, and to determine the distribution of stress very simply and reproducibly.

There are two units which make up the equipment: the optical table with laser, optics, camera and working surface: and the electronic controller with its monitor, power supply, mode and camera controls.

To use it, an object, such as a turbine blade, is placed in a test jig and a picture is produced on a TV monitor. Test conditions such as vibration or deformation are then applied and the image of the object in its deformed state is combined by electronics with the stored picture to provide an interference fringe pattern from which appropriate measurements can be made.

In strain work, this equipment can save a designer weeks of complex calculations and one important development is the possibility of direct viewing of vibration nodes.

There are many other applications of this equipment which is the result of some eight years' development of laser inteferometry and the groups supporting such were involved, inter alia in an extensive review of the chemical substances that can be used in image forming on photographic plates.

One outcome of this work has been the production of holograms so sharp that they can be viewed and give their remarkable 3-D effects even in a relatively high ambient illumination and using a white light rather than a laser beam of the same wavelength as that used initially to make the hologram.

Recently, what is thought to be the largest such hologram, measuring 2 feet by 1 ft. 8 ins., was produced for display purposes for Tube Investments on its stand at the Offshore Technology Conference in Houston, Texas.

Loughborough Consultants at the University of Technology, Loughborough, Leics. 0509 30426.

● HAND TOOLS

Drives the screws

CLAIMED BY the manufacturers to be the first U.K. made torque-limiting screwdrivers with ¼ inch A/F hexagon socket drives, are seven new models from MHH Engineering. Each accepts blades and bits without special adaptors, says the company, and the range is 3ozf inches to 120lbf inches.

More on 048-647 2772.

● PROCESSING

Units for monitoring

THREE systems, built around microprocessors, have been introduced by ASEA for process monitoring.

Alarm and measuring system ALSY-8, which can also perform logging, can have any number of input and output channels. It will accept inputs from on-off devices or from analogue transducers of current, voltage and resistance. Levels are normally printed out in black, becoming red when alarm states are reached. The unit can be connected to a VDU or via a suitable interface of a computer.

DS 8AP is a universal monitoring system for both digital and analogue signals, while the third unit DS 8AR is a sequential events recorder.

More from 41 Strand, London WC2N 5JX (01-930 5411).

Mini filter for water purification

A miniature high-recovery, low-energy reverse osmosis ultrafiltration system, able to be used for a large variety of filtration, separation and water purification purposes, has been developed by A. T. Ramot Plastics of Tel Aviv.

Applications could be the production of potable water from saline or contaminated sources for small groups, or perhaps in lifeboats; the production of sterile and deionized water for laboratory or medical purposes; or the regeneration of dialysate water in peritoneal dialysis.

Further information from Embassy of Israel, 2 Palace Green, London W8 4QB (01-937 8050).

Constantly sterilised

AN INSTRUMENT developed at Haifa University, the UVOXX, is said to make the continuous sterilisation of water and aqueous solutions easier and inexpensive.

The device utilises four ultraviolet light sources to destroy micro-organisms in flowing water and an output of up to 60 litres per minute can be obtained with power consumption of the order of some 60 watts.

Its simple design enables the instrument to be installed in almost any system and it is recommended for use in food processing plants, public swimming pools, aquaria, cosmetics manufacture and similar applications.

More from Embassy of Israel, 2 Palace Green, London W8 4QS (01-937 8050).

● SAFETY AND SECURITY

Simple fire watch in the home

TO COMBAT continually escalating losses of goods, property and lives caused by fires in the home, a leading British fire equipment company has introduced a compact battery-operated fire alarm.

The Dormalarm case is 8-inch diameter and fits easily to the ceiling with three screws. Inside the shallow case is a "magic eye" sensing mechanism that is sensitive to even the slightest amounts of smoke that are produced by any fire, before the flames actually start. When such smoke passes through the sensing chamber, a loud automatic alarm buzzer sounds immediately and will not stop until the detector cover is removed and the alarm mechanism re-set.

As a further security measure, when the battery level gets low, after about a year's use, a totally different alarm signal note is given, warning that a new battery should be fitted. A weekly test is recommended; this is simply done by depressing the detector cover plate for 10 seconds by hand; this electrically simulates an alarm condition and causes the detector to give an alarm.

Main causes of fires in the home are cigarettes, faulty electrical appliances and wiring, and in keeping with this the detector is designed to respond to particles from a smouldering fire which are evident prior to flames.

Dormalarm is recommended for fixing in bedrooms, halls and stairways, and boats and caravans where gas cylinders are commonly used and stored.

Tann Synchronome, Station Road, Westbury. (0373 82249.)

Deters the car thief

LATEST application of ultrasonics is in the protection of motor vehicles; a suitable device designed and made in Japan, is being imported by Olympic Security of Carlisle.

It consists of a small car radio-sized unit which is installed on, under or over the dash-board pointing towards the back of the vehicle or cab. It contains an ultrasonic generator which floods the inside of the vehicle with ultrasound. The waves are reflected from all the surfaces establishing a particular pattern which, if disturbed by an intruder, will initiate an alarm after five seconds. The delay is provided so that the owner can re-enter the car and disable the unit with a concealed guard switch.

In addition, the unit has built-in delay after switch-on so that the owner has time to leave the vehicle.

Known as the CS55, the unit can, it is claimed, be installed by an unskilled person and can be changed from vehicle to vehicle with little difficulty.

More from 41, Cecil Street, Carlisle, Cumbria, CA1 1NS (0228 34206).

Harness is much more comfortable

KANGOL MAGNET, the Carlisle-based automotive safety belt manufacturer has perfected an emergency locking retractor which eliminates shoulder and chest pressure experienced with certain automotive seat belt systems. Code named "Comfort Zone" the system is effective for all occupant sizes or anchorage positions and is self engaging. Thus the wearer need only go through the normal motions of fitting a seat belt.

If a belt buckle's main return spring is designed to retract and stow the webbing efficiently, the forces involved are such that most occupants experience chest and shoulder discomfort due to excessive load from the shoulder belt, particularly in modern installations, where webbing follows a high-friction path from behind the trim. In this situation, a return spring capable of retracting to the fully stowed position and lifting the weight of the buckle connector is most likely to apply an uncomfortably high chest load when the webbing is pulled to the wearing position.

"Comfort Zone" solves this problem by providing two independent levels of retraction force—a high level to ensure good retraction and stowage and a low level which gives the occupant comfort and a feeling of security.

The principle used avoids the danger of excess belt slack—which occurs with some systems for reducing chest loads—while eliminating the need for user-action or complicated automatic devices to ensure correct stowage. At the same time, "Comfort Zone" does not affect the emergency locking performance of the retractor or result in increased webbing extension during impact.

The system is fitted to Kangol's Series 12 reel with a width of only 103 mm. and the same profile. The reel is approximately symmetrical about the mounting hole and does not represent any significant increase in overall size.

Kangol in Norfolk Street, Carlisle, Cumbria. 0228 31711.

THIS 15 tonnes capacity electro-hydraulic lift which has a floor area of 21 square metres and a height of five metres has been supplied to the National Theatre on London's Southbank by Gough & Co. (Hanley) of Stoke-on-Trent.

It is designed to transport full height scenery and equipment from the workshops at ground floor level to the stage of the Olivier Theatre 7.6 metres above.

Based on the company's standard electro-hydraulic design, it is operated through a system of chains and pulleys from a single acting hydraulic cylinder. Power is provided by a standard hydraulic unit incorporating electrical controls, oil reservoir and valvework, located separately in an adjacent room.

● COMMUNICATION

Visitors are given facts

IN association with the Countryside Commission, Rediffusion Reditronics has developed and is manufacturing a weatherproof and vandal-resistant free standing unit that can be used outside to provide recorded facts for visitors to places of interest.

The unit has been called Listening Post and in the self-contained version has its own cartridge replay unit and a 12-volt rechargeable battery pack. This would normally be permanently installed with its base in the ground, but it can be supplied with a heavy metal base, making it free-standing but portable.

Where cabling is feasible, the unit is obtainable for supply of both audio and power from a central point. There is also a unit for indoor wall-mounted use.

Particular attention has been given to the need to carry out servicing and routine maintenance in all weathers—the work can be carried out even by a heavily gloved attendant.

Normally the sound output is provided by small loudspeakers at a fairly low level, but listening tubes can be supplied for use in noisy locations, and for group listening an additional amplifier will boost the loudspeaker output.

The company will also supply the necessary central audio amplifiers and playback machines for cable working, together with a recorder for preparation of the audio data. The latter has facilities for recording on cassettes or eight-track cartridges and for dubbing from one to the other. The Listening Posts use eight-track cartridges.

Emphasis is placed by the company on the provision of a total system: everything that might be needed to operate and manage the Listening Posts, including diagnostic units, can be supplied. If necessary the company will undertake installation and servicing.

More from La Pouquelaye, St. Helier, Jersey, C.I. (0534 30321).

● PRINTING

Top of the form printer

A FORMS ACCESS printer which can print anything from a single label to a multi-part invoice at 300 lines per minute on forms ranging from 4¼ inches to 8½ inches wide, and 2½ inches to 22 inches long, is introduced by the Westrex Company, Coles Green Road, London, NW2.

Called the Model 40 FAP, it provides immediate access to tickets, receipts, policies or reservation forms printed on a demand basis which results from the unit's tractor feed mechanism which is located below the print line, enabling the form to be torn off at the completion of the print operation.

Offering "on demand" printing, the delays and waste normally occurring in standard printers has been reduced to a minimum, says the company, as printing can commence within three lines of the top of the form.

More on 01-452 5401.

● HANDLING

Aids aircraft recovery

A RECOVERY system utilising a hover device for movement and pneumatic elevators for lift, incorporating lightweight aluminium flat and troughed sheeting to form airtight panels above the hover skirts is now in production.

UBM Engineering, Southampton, has developed the Mark III version of this system using aluminium panelling supplied by Alcan Metal Centres and the first units are due for delivery to the Department of Civil Aviation Nigeria.

The system has a lifting capacity of up to 500,000 lbs., is assembled on site from easily transportable, welded steel tube modules which are linked together to provide the main base of the system, the number of modules employed determining the size and lifting capacity of the assembly. Power packs driving centrifugal fans are fitted when the modules have been connected together to provide the required lift.

A crash damaged or immobilised aircraft can be moved across swamps, mud, grass, uneven ground or concrete up to speeds of 10 mph. eliminating the need for cranes, timber sleepers, wires or chains, all of which could damage the aircraft fuselage.

More from 0295 4545.

● COMPONENTS

Covers up in style

A RANGE of five different systems for ceilings, lighting and cladding has been introduced by Hunter Douglas, Wellington House, New Zealand Avenue, Walton on Thames, Surrey.

The Luxalon Facelift system appears to be a cosmetic exercise for disguising and renovating oil, discoloured or dilapidated tile ceilings. Quick and easy to instal, it is very light—only 1.6 kilos per square metre. The fixing method is carried out by the carrier being fitted to the existing grid with a special clip with Facelift ceiling panels then attached to the carriers.

The company's universal ceiling system comes in three panel widths — 80mm, 130mm and 180mm, but requires only one carrier for all widths, and all three can be converted to a closed ceiling by a special closure piece.

Introduced to simplify specification, stocking and estimating it is said to have other advantages like stronger, stiffer panels — which may be plain or perforated —and longer spans simplify and speed erection time, thus reducing costs. The closure piece, common to all modules, is easy to fix so that an open ceiling can be closed subsequently if required, and the closed version rapidly dismounted.

Light fittings, designed exclusively for Luxalon Ceilings, will be launched on June 1. This range has three basic boxes, giving eight different lighting units, all supplied with snap fit opal diffusers in light-stabilised acrylic giving high resistance to discolouration.

Made from high grade cold reduced sheet steel, degreased, phosphated and finished in white acrylic enamel inside and black outside, the fittings comply with section 11 of BS 4533: Part 1, and are suitable for installation in normal indoor environments with a maximum ambient temperature of 25 degrees C.

Specifically designed for situations where wide profile cladding is desirable, Luxalon Facade Cladding, Type 300 (300 mm. wide and 30 mm. deep) comprises panels made from 1 mm. aluminium strip with a choice of high grade PVdF, in six colours or four metallic finishes.

In three different profiles the panels can be used on brick or concrete substructures by using a special mounting rail and clamping system, or to clad open steel structures by means of a similar clamping system.

The luxury touch comes with the High Mirror Ceiling where highly polished chrome or copper finished aluminium panels have been designed for striking visual effects in showrooms, restaurants, bars and reception areas. The panels are created to highlight specialised areas or to enhance dark or small spaces by creating an illusion of spaciousness.

Further information on 98 28822.

● MATERIALS

Vesicular film source

EXTENSIVELY used for copying microfiche, vesicular microfilm has to date had to be imported from the U.S. so that many will welcome the move by Bexford (an ICI company) to make the film at its Manningtree plant.

The important advantage of this type of film is that it is processed by heat only and gives off no toxic fumes. It is a boon to operators who may have problems in using the ammonia that is needed in processing the older diazo film.

Vesicular film contains extremely small bubbles of nitrogen which when exposed to ultraviolet light expand to form areas opaque to the transmission of light. No silver is involved.

More on 020639 2424.

CONTRACTS AND TENDERS

هكذا هت الأمل

Have we at last found why British industry is growing so slowly?

Most people can find a reason for Britain's economic ills.

The boardroom blames the shop-floor for low productivity. The shop-floor blames the boardroom for low investment.

Everybody blames Whitehall.

Rather than add to the list, we'd like to pose a question. Does the answer lie in the warehouse?

Look at the figures above and see how they correspond with the economic growth rates of the countries shown. (Japan, 27%. USA, 13%. W. Germany, 12%. UK, 8%.*)

Poor storage and materials handling lowers productivity, profits, and, consequently, investment.

It wastes up to 1 man-hour in 6 on British production lines, according to a survey by the Department of Industry. And it was costing every company examined more than it should.

Having raised the question, let us say what Dexion can do to help. We can look at your storage and materials handling system, and tell you how it can be improved. Whether yours is a large or a small company.

(We won't, by the way, recommend our own equipment if it doesn't provide the best solution.)

And we can send you our 'Book of 100 Answers,' which describes 100 of our case-histories.

We won't pretend that we can solve Britain's economic problems overnight. But aren't figures like these a step in the right direction?

Storage capacity up 40%. Stockholding levels down 30%. Overheads down 30%. Maintenance and depreciation down 30%. Picking times down 20%. Payback, 3 years.

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We'll help you make money out of thin air.

DEXION LIMITED, MAYLANDS AVENUE, HEMEL HEMPSTEAD, HERTFORDSHIRE. TELEPHONE HEMEL HEMPSTEAD (0442) 42261. TELEX 82242. (Source: EIU GNP at constant prices 1972/'76)

Building and Civil Engineering

£6m. awards to Gleeson

THREE contracts worth a total of £6m. have been awarded to M. J. Gleeson (Contractors).

The biggest is from the London borough of Southwark for 247 dwellings at the Keetons Housing Development. It is worth over £4½m. and work is due to start on May 22.

The second contract, worth over £1m., is from the London borough of Ealing for work on the Salisbury Estate at Acton Lane, Ealing, and the third has been awarded by the Greenwich and Bexley Area Health Authority for the construction of the Plumstead Health Centre and Child Guidance Unit. Value of this is £414,000. This contract will be started on 30 May.

demolition of an existing wharf and extraction of old piles is included in the marine work.

New federal capital in Nigeria

PREPARATIONS ARE being made for the construction of a new federal capital in Nigeria, and the Federal Capital Development Authority has awarded the first construction contract, valued at £2m. to George Wimpey and Co. (Nigeria).

The contract covers the construction of the field base camp, which will house the development authority staff, and from which operations will be conducted. Work here involves roads, power generation, water and electrical distribution in addition to a sewage system.

First facilities are to be set up at Abuja town in central Nigeria.

Higgs and Hill power station work

A SITE PREVIOUSLY occupied by a coal fired power station and gas works, both of which have now been demolished, will accommodate a new 140 MW gas turbine generating station at East Cowes, Isle of Wight. Higgs and Hill Civil Engineering will carry out preliminary site works under a £2m. contract awarded by the Central Electricity Generating Board.

The company has started constructing the access road and reinforced concrete retaining walls, treatment tanks and foundations for two chimney bases.

The work also includes the construction of new roads, piled foundations and sheet piling and

Birmingham warehouse

CONSTRUCTION of a two-storey regional distribution warehouse in the Halesowen area of Birmingham is called for under a £1.7m. contract awarded to the Fairclough Group by the Co-operative Wholesale Society.

The Society will serve retail outlets throughout the Midlands from the new warehouse which has already been started and is due to be completed in the spring of next year.

Irrigation project in Kenya

SIR M. MACDONALD and Partners of Cambridge have been appointed consulting engineers, by the Kenya National Irrigation Board, for the preparation of contract documents and for supervision of construction for the first stage of the Bura irrigation project in Kenya. An area of 7,300 hectares on the west bank of the river is involved.

Total cost of the development is expected to be about $US100m.

The engineering works cover the design and construction of the river barrage and a network of canals, together with housing for the settlers, comprising 23 villages, each with a projected population of 2,000, and a project administrative headquarters housing 6,000. Facilities to be provided include water supply, sanitation and schools.

Construction of the administrative centre may be started later this year and major civil engineering works by the middle of 1979. It is planned to complete the development within 4½ years so that the area will be in full production from 1983.

Construction will be carried out partly by the National Youth Service of Kenya and partly by contractors selected by international competitive bidding. The project is situated about 300 km north of Mombasa in wholly undeveloped land.

£2m. order from Libya

MECHANICAL EQUIPMENT for a new regional sewage treatment works to be built for the Municipality of Zwarah, Libya, is to be supplied by Permutit-Boby, a member of the Portals Water Treatment group, under a £2m. contract from the Arab Union Contracting Company of Tripoli.

The equipment includes the company's Permak contract stabilisation plant and Varivoid deep bed sand filters for a works designed to produce a final effluent suitable for irrigation purposes. The regional treatment will serve the three towns of Zwarah, El Jamil and Regdaleen, some 110 kilometres west of Tripoli.

Busy in the West

CONTRACTS FOR shop, office and factory alterations and the construction of new industrial and educational premises in the West Country, have been won by Ernest Ireland of Bath, part of the Mowlem Group.

In all, 11 contracts total around £1m. and the largest are at Bath, Weston-Super-Mare and Warminster.

Six warehouse units for Slough Industrial Estates at Weston-Super-Mare will cost £276,000, and alterations to Littlewoods Store, Bath, are valued at £240,000.

Three new two-storey extensions in traditional stone-faced construction, providing extra dormitories for the boys and accommodation for a house master and his family at Kingswood School, Bath, will cost £140,000. At another public school, Warminster School, the company will construct a single-storey science building to include a rifle range in the basement for the school's cadet force, and a gallery over a central entrance foyer, at a value of £170,000.

Eases cable installation

SAVINGS OF 5 to 20 per cent. are claimed to be possible by exploiting Zed purlins for installing electric cables, which are laid along the lower channel of the Z-shaped units, and then enclosed by a complementary section on top. The greater the number of electrical connections for normal and emergency lighting, alarms, ventilation controls, computer connections and so on, the greater the possible savings.

Zed purlins which are said to be gaining in popularity for building construction are made from cold rolled metal sections of which TI Metsec is a major supplier. TI Metsec has joined with Zed-Duct (Electrical Systems), the originator of the idea, to supply factory installed cables to meet a wide range of requirements.

The IDC building group, which has made a comparison of conventional and Zed-Duct systems, estimates savings of the order of 20 per cent. Part of the savings are achieved in the Zed-Duct factory, which employs highly sophisticated machinery, some of which is capable of cutting and stripping cable ends at up to 10,000 an hour. A range of specially designed boxes and ancillary components, such as for pendant lighting, all of which are screwed into tapped holes have been designed to meet all usual specifications.

In a demonstration of the system the cabling was laid in channels and shunted along the purlin, junction boxes attached and lighting installed in 25 minutes against a more normal time of up to three hours. The system seems to lend itself especially to Government-type advanced facilities which can be pre-wired for all needs.

TI Metsec has its headquarters at Oldbury, Warley, West Midlands (021-552 1541).

£4m. work for Camm

WORK FOR water authorities at over £3m. make up the bulk of recent contracts of over £4m. awarded to Burnett and Hallamshire Group subsidiary Camm (B and H).

The Anglian Water Authority has ordered work to be carried out on Grantham trunk sewers over a period of nearly two years and the construction of a screw pumping station at the existing Manthorpe storm overflow. The company will excavate and lay plastic and ductile iron water mains over a total distance of 13 km from Boston to Surbiton to West Pinchbeck, and lay 450 mm diameter ductile iron single and twin pipelines under the authority's Lindsey Coast Scheme. A contract at Louth sewage treatment works involves modifications to the existing works, under Phase 1. Future phases involve the installation of bored piling to a proposed new filter bed, the construction of a recirculation pumping station and the construction of a new access road together with general site works.

Three contracts for the Severn-Trent Water Authority comprise excavation and laying of asbestos water mains under Rutland Phase II (Cottesmore) and Shepshed, and construction of a new water reclamation works, two offsite pumping stations, etc., at South Wingfield sewerage and water reclamation works.

Primary work on Unstone/Whittington Hill drainage scheme, involving the construction of 2,178 metres of combined sewer in open cut, comprises a contract for the Yorkshire Water Authority.

Civil engineering contracts in the private sector are valued at £1.5m. and include the design and construction of a main foundry building for Record Ridgway Tools (under a £600,000 contract awarded by Disa-Dansk Industri Syndikat), foundations at Staveley Chemicals, the culverting of Thurnscoe Dyke at Hickleton Colliery, new ventilation fans at Barnburgh Colliery, and continuous casting plant for the British Steel Corporation at Templeborough.

£½m. pipes ordered

PORTSMOUTH Water Company has ordered a trunk main from Racton reservoir to Funtington and West Ashling, forming a link between its central area of supply and the eastern area, using a total of 1,300 tonnes of Everite pipes and fittings from TAC, a Turner and Newall company. The pipes will be laid by the Portsmouth Water Company's personnel.

Another order, bringing the total to £1m., is for 1,700 tonnes of Turnall pipes at the Usk Sewage Division of the Welsh Water Authority's Eastern Valley trunk sewer, whose contractor will be T. Gallagher and Son of Bridgend.

Two jobs in Kent

THE MEDWAY Ports Authority has awarded a £1m. contract to Costain Civil Engineering for work at Sheerness Docks. This includes the surfacing of the 24,000 square metres reclaimed Great Basin area together with associated services, construction of foundations for a new 12,000 square metres warehouse, and extensions to the existing No. 2 berth complete with fendering, crane tracks and services.

A member of the Costain Group, John Shelbourne, has received a £175,000 contract from Associated Portland Cement for the demolition and removal of its Kent works jetty at Greenhithe in the Thames Estuary. Work has already started on the timber, concrete and steel jetty whose 700 timber piles will be extracted using floating cranes and barges.

Prefabs in Israel

The Israeli firm Ha'argaz-Tzrifin is offering a line of prefabricated houses, which can be made up from a wide variety of standard components, to be assembled according to customers' specific requirements.

Walls, doors and roofs are made of two layers of polyester, reinforced with glass fibres. The structures can be erected on prepared concrete or other floors but prefab floor sections are also available. The prefabs, called Bin-Ar, are very light so that special materials handling equipment is not needed in transportation or in the course of construction.

More from Embassy of Israel, 2 Palace Green, London WS 4QB. (01-937 8050).

Paint can establish ownership

MATERIALS SUCH as scaffold tubing and even plant items stolen from construction sites can seldom be recovered because there has always been the problem of establishing ownership of an item should its whereabouts be suspected.

R. J. Hamer of Mitcham now has improved versions of its marking paint system which it claims will meet most of the needs of the industry.

The paint film when applied contains specific chemicals which remain available in the dried paint film indefinitely. When ownership of an item, suitably painted, has to be confirmed, spots of reagent from small bottles are applied, whereupon a specific colour is produced. The test takes about a minute.

The paints themselves are quick drying, have a high flash point to avoid storage problems and are hard wearing with an attractive finish.

The company holds a register of colours supplied and each shade is allocated to a specific customer. More on 01-648 2064.

Might solve a problem

AN UNUSUAL gantry crane built by A. H. Allen of Northampton, which enabled Kyle Stewart (Contractors) to speed operations on a rather difficult site is now available for more work. It has a span of 174 feet 6 inches and its safe working load is 3 tons.

The crane is made up from four sections which means its span can be reduced to either 126 feet or 77 feet and consequent upgrading of the safe load. Height under hook is just over 56 feet.

The structure is at present being stored at Hayes, Middx., and the crab unit containing the hoist gear is at Allen's works in Northampton. So, if anyone has a site on which internal access is a problem, Kyle Stewart may have the answer.

Uranium search in Italy

A SECOND contract has been awarded to Hunting Geology and Geophysics, by the Italian national oil company of the ENI Group, AGIP, to undertake a programme of airborne spectrometer surveying in the mountainous areas of Northern Italy and in Sardinia to assist in the location of uranium deposits. A similar contract was completed for the same client last year.

Supply of equipment, installation, logistics, initial data compilation and preliminary interpretation together with the execution of the whole survey will be the responsibility of Hunting.

The geophysical and ancillary equipment is being installed in an Agusta-Bell 212 twin turbine helicopter specially modified for airborne geophysics, and a Hunting electronics technician, in addition to supervising the installation of the equipment in the helicopter, will operate and maintain the instrumentation during the course of the survey.

Joint takes the strain

A CONCRETE joint that can withstand the stress of a severe earthquake is the subject of a recent United State patent. The seismic-resistant joint was developed in research at Battelle's Pacific Northwest Laboratories.

Such joints are made of Wirand concrete, which is reinforced by the addition of short lengths of metallic fibre. The joints are extremely durable under stress, and are less expensive than other joint-to-column supports.

Conventional concrete joints must be reinforced with a maze of intersecting steel bars and hoops to withstand pressures under earthquake loads. The congestion of supporting steel in the normal joint increases fabrication costs and often makes concrete placement difficult. With the Battelle-developed joint, many of the supporting hoops can be eliminated. The reinforced concrete increases tensile strength and impact resistance. It also offers flexural (bending) strength that is two-to-three times greater than ordinary concrete.

Battelle, Battelle Boulevard, Richland, Washington 99352, U.S.

£1.2m. Shell laboratory

A CONTRACT valued at over £1.2m. has been won by Mears Construction for the second stage of a laboratory facility for Shell Research at Ellesmere Port.

Scheduled for completion in the summer of next year, the contract calls for the construction of a three-storey building with a roof plant room and a single-storey plant room at ground level. Mechanical, electrical and lift installations are included.

Architect is Saxon Smith, Lovelock Mitchell and Partners and quantity surveyor is Gleeds.

£1m. bridge works

TWO BRIDGE contracts in the north of England have been awarded to Cementation Construction (Trafalgar House Group).

One of the contracts is for the reconstruction of a road-over-rail bridge near Hartlepool and the other—for the Department of Environment and Transport—is for the reconstruction of a railway bridge at Appleby.

Avon's £½m. factory in Wiltshire

PRODUCTION SHOULD start in February 1979 of a £½m. factory for Avon Industrial Polymers (Melksham) at Chippenham, on land owned by North Wiltshire District Council.

The new 44,000-square-foot factory will be leased from the developer, Isis Construction of Swindon, which will build the single-storey complex to house the production of Avon's flexible fabrications including hovercraft skirts, special civil engineering products, aircraft jet engine intake plugs, and dry diving suits.

Close to the company's base resources at Melksham, the factory will also be convenient to the motorway system and there is an option of a further 60,000 square feet of expansion if subsequently required.

IN BRIEF

● Mr. Eric Varley, the Secretary for Industry, will open a two-day conference on May 17 at the Institution of Civil Engineers, Westminster, London. The need for expert knowledge and experience in the management of capital for major civil engineering contracts will be the main topic.

● Caledonian Netherlands Contractors (Calneco) of Aberdeen, in association with Cleton Insulation BV of Vlaardingen, Holland, has won a £700,000 contract for thermal insulation at an ethylene plant in Zagreb, Yugoslavia. Calneco is jointly owned by Aberdeen Construction Group, and N.V. Verendige NBM-Bedrijven of Holland.

● Robert Marriott (French Kier Group) has been awarded a £253,182 contract by Northamptonshire County Council for alterations and extensions to the Prince William Upper School, at Oundle, Northants.

● Robert Watson and Company (Constructional Engineers) of Bolton has been awarded a £125,500 contract by Leyland for steelwork for an office block for the Truck and Bus Division.

● Lesser Building Systems of Verwood, Dorset, has received a £163,000 contract from the London Borough of Newham for 1,120 square metres of accommodation in Lesser's PB4 two-storey building system.

● Graham Wood Structural will supply structural steelwork exceeding £670,000 to the British Gas Corporation for its Isle of Grain LNG facility, under the terms of a contract from Motherwell Bridge Engineerin.

● Two piling contracts in Scotland, together valued at £800,000 have been awarded to West's Piling, of Colnbrook, Slough, a member of the WGI engineering group. The larger contract, from Shell's managing contractor, the Ralph M. Parsons Company, Brentford, is for installation of 3,300 cased shell piles at Shell/Esso's Scotland gas terminal complex at St. Fergus, Aberdeenshire. The second contract is for providing piled foundations for three bridges on the new Kingussie to Crubenmore section of the A9 trunk road in the Highlands for the Scottish Development Department.

● Bovis Construction will carry out £1m. contract for Tesco Stores at High Street, Kidlington, Oxford, where a former cinema is to be converted into modern supermarket premises.

● A £250,000 design-and-construct contract to provide a blast proof control building at the Lindsey Oil Refinery conversion project, Killingholme, Humberside, has been awarded to John Mowlem by Foster Wheeler, main contractor to Lindsey Oil Refinery which is jointly owned by Total Oil and Petrofina.

● Greater Glasgow Passenger Transport Executive has awarded a further contract of £595,000 to Laing, Scotland, for fitting out Buchanan Street underground station in Glasgow.

Powerful pressures are forcing many US corporations to take on non-executive directors.

The outsiders who are taking over American boardrooms

By Stewart Fleming, New York Correspondent

Mr. Harold Williams: "Deep-seated unease"

ONCE a month Susan Hails, a 27-year-old PhD student at Temple University in Philadelphia, goes to the 39th floor of the Centre Square headquarters of the First Pennsylvania Bank to attend its Board meeting.

As a director of the $8bn. institution she draws the $250 attendance fee and $4,800 a year retainer. When she completes her course she will resign, no doubt to make way for another student director.

Ms. Hails is the second student director at First Penn, and one of several Board members at this the 20th largest U.S. bank, who has come from outside narrow business circles. As Mr. Ray Rafferty, the company secretary, explains, the bank feels that its Board must be representative of, and responsive to, the community in which it operates—and not just the business community.

The need at least to appear responsive is being felt throughout U.S. business partly because of disturbing evidence of declining public confidence in its performance. Mr. Harold Williams, now chairman of the Securities and Exchange Commission and formerly dean of a major business school, has focused attention on this trend and become a persuasive advocate of the need for reforms in what is called "corporate governance"—the way companies make decisions.

In a recent address he cited public opinion polls which show that, while there is widespread support for private enterprise in the U.S. and a continuing belief in its efficiency, public confidence in business has sunk from 70 per cent. in 1968, to only 15 per cent. to-day.

There is, according to Mr. Williams, "a deep-seated unease over the exercise of what is perceived as the enormous power of American business." He attributes this in part to the public's perception of a gap between goals aimed at by businesses and those of the rest of society.

And he suggests that the result is that "the issue of the very legitimacy of the corporation has itself come into question.

The Securities and Exchange Commission is currently engaged in a detailed study of "corporate governance." Mr. Williams' views, therefore, cannot be ignored, since the agency could well make firm proposals for change. But his views are not going unchallenged.

Earlier this year the Business Roundtable—a group of the top executives from over 190 of the nation's largest companies—issued a study entitled—significantly—"the role and composition of the board of directors of the large publicly owned corporation."

In it the Roundtable argued that the actual constraints on business "belie the mythology of unchecked corporate power." To back up its argument, it cited such factors as competition and the market-place, legal and regulatory requirements such as anti-trust and environmental laws, shareholder suits and "various consumerist and environmentalist causes."

The Roundtable rejected such formal reforms as a requirement that the roles of company chairman and chief executive should be separated, or that only one management executive should sit on the board. But it endorsed several emerging trends in the structure of company decision-making. For example, it backed the idea of having an audit committee of non-executive directors (all New York Stock Exchange quoted companies must have such a committee by June 30 this year), and also the trend towards boards having non-executive committees on compensation and management succession.

Several recent studies have shown that over the past decade major companies have been responding to criticism of their decision-making processes by introducing these and other changes in board structure.

Mr. Harold Williams, chairman of the Securities and Exchange Commission, has become an outspoken advocate in favour of reforms in "corporate governance" which would make major *companies more accountable* and more *responsive* to social goals. His suggestions, which he presents more as a guide than a blueprint, include:

- **The Board should comprise mainly independent directors, to *whom management should be clearly accountable*. Thus management should ideally not be represented on the Board by anybody other than the chief executive.**
- **The chief executive should not also be chairman of the Board.**
- **If there is a number of management representatives on the Board, then committees composed exclusively of independent directors for audit, the nomination of directors, executive compensation, "conflict of interests" and public policy become essential.**
- **Investment bankers, commercial bankers, outside counsel and others who might be thought of as suppliers hired by management—and not therefore independent—should not be Board members because of potential conflicts of interest arising from their business relationship with the company.**
- **New mechanisms should be created to judge management in terms both of its responsibility to ownership and to society, to balance short-term and long-term profitability, taking into full account the public's political and social expectation of the company.**

Thus an analysis by the Conference Board—a business research organisation—which was cited by the Roundtable, showed that 28 per cent. of manufacturing company boards now have women directors, and women now serve on the boards of 41 per cent. of non-manufacturing companies, and according to the same source, black directors now serve on the boards of 17 per cent. of manufacturing and 32 per cent. of non manufacturing companies.

More generally, a study by Fortune magazine of the board membership of its list of the 500 largest U.S. industrial corporations disclosed that, of the 5,995 directors, fewer than half (2,868) are executive directors, a decline of one-fifth since 1967. There has been a corresponding increase in the number of non-executive directors recruited from other businesses, who now account for 25 per cent. of board membership.

Over the same period, the number of outsiders or non-business executives — mainly academics, heads of foundations, women or civic leaders — has doubled—from 205 to 413. For example, Mr. Vernon Jordan, president of the National Urban League, a powerful Black rights group, is now a Board member of American Express; J. C. Penney — the second largest retail stores group — and Bankers Trust one of the largest commercial banks.

Critics contend that this sort of reform may be little more than a token and will not fundamentally alter the decision-making process of the corporation. They point out too that while the overall figures indicate significant changes in Board structure, many companies are not altering their traditional policies on Board appointments.

In the case of Johnson and Johnson, the baby products group, for instance, it was only when the NYSE required non-executive audit committees, that the company appointed such outside directors to its Board.

Those companies which are bringing in more non-executive directors are responding in part to a growing awareness of the value of having well-informed and active outsiders on the Board.

Recently, for example, Sherwin Williams, the leading U.S. paint producer, indicated the value which more and more companies are placing on outside directors. In the wake of deteriorating financial results, the *company* announced the departure of Walter Spencer—who had held the joint roles of chairman and chief executive—and announced proposals for reforming the Board, reducing from six to two the number of directors drawn from management. It also proposed to cut the size of the Board from 14 to nine, thus greatly enhancing the position of the non-executive Board members.

Earlier this year the Securities and Exchange Commission itself underlined the value it attaches to having active non-executive directors, and at the same time made it clear that such directors cannot treat their jobs as sinecures. It publicly criticised the outside directors of National Telephone, which is now in bankruptcy proceedings. The SEC said the non-executive directors had failed in their "affirmative duty" to ensure that the company was making full and proper disclosure of its financial position.

But it is not primarily the commercial advantages of reforming Board structures which lie behind the criticisms and suggestions from people like Mr. Williams of the SEC. Their questioning of the responsiveness of companies to society's needs and the advisability of reforming corporate decision-making reflect wider concerns.

To some extent these have been stimulated (but not necessarily caused) by what the Business Roundtable coyly describes as "some unfortunate developments of the last few years."

This list is a long one, and could readily be construed to include such items as the revelation that in the past few years over 300 companies made questionable overseas payments and bribes, or illegal political contributions at home—which in some cases clearly posed a threat to the broader national interest.

Mr. Williams himself has commented on the marketing of products which are known to be unsafe or inadequately tested. And other critics of big business would point to those companies who have recklessly spoilt the environment.

But it is not just the apparent sins of business which are provoking calls for reform. Citizens in the U.S. are brought up to believe that good government rests on the checks and balances and public accountability enshrined in the Constitution. When they look at big companies they do not see such public accountability, and while the companies can retort that the law and regulations are there, the fact remains that these are often blunt instruments to use against organisations which can always defend themselves from the security of their secrecy.

It has not helped, either, that it is now so widely recognised that shareholders, through their voting power, do not play an effective role in making management accountable, even for the narrow economic interests of the business, not to speak of the wider social interests which are increasingly being demanded.

Thus Mr. Wiliams can remark that "major institutions (as shareholders) rarely involve themselves in corporate governance issues." Morgan Guaranty Trust, the fifth largest U.S. commercial banking company, whose trust department manages around $24bn. of assets, is willing to confirm the accuracy of this statement. In the memory of its current officers the trust department has never sought to change the management of a company in which it holds stock, either on its own or in concert with other investors. Indeed, it is not sure whether the latter would be legal, but if it is unhappy it sells the stock.

These then, are some of the factors behind the calls for reform in the way major companies are managed and reach decisions.

Mr. Williams sees mounting pressure to bring about such reform through federal actions such as legislation and regulation. Legislation, he says, is something he wants to avoid, on the grounds that such federal action is likely to be ineffective and spark off even more restrictive laws. Instead he proposes voluntary reform. He argues that the point of such reform should be the corporate board. "Since the board guards two thresholds — that between ownership and management and that separating the corporation from the larger society."

Such reforms would, it is argued, help to ensure that the large corporation, which in Mr. Williams' words has now become a "quasi-public" institution, would be more clearly accountable, with a Board comprised largely of outside directors. (He suggests that only one management representative should be a director.) This in turn, it is argued, would help companies command greater public confidence and make their power more legitimate.

Others question whether the reforms proposed by corporate critics will have this happy outcome. Some argue that they will merely further subvert the freedom of the private sector and therefore of society.

Certainly, it would seem that reforms of company Boards in order to make them more responsive to long-term social needs, and less dominated by short-term commercial pressures, would further limit the proprietorial rights of shareholders.

Ironically, therefore, for those who tend to see the U.S. as the last bastion of—relatively—unfettered private capitalism, it is easy to see parallels between what is happening in Europe and the U.S.

In Europe pressures from within the corporation for trade union or employee representation on the Board are tending to dilute the influence of the proprietorial rights of shareholders on the decisions the company makes.

In the U.S. similar pressures are coming from outside the company, in the form of demands that the corporate decision-making process should be re-formed to make companies more responsive to society's needs. It remains to be seen how influential and successful the more radical advocates for reform of corporate governments in the U.S. will be. They could, however, have as much influence on the way giant U.S. corporations conduct themselves as does co-determination in Germany or potentially as have the proposals for worker directors in Britain.

Stand and deliver

FAILING TO deliver goods on time is still a major problem area among U.K. companies, according to the latest checklist from the British Institute of Management. It gives a sharp warning to companies who win valuable orders, often after a considerable marketing effort and against strong foreign competition, and then fail to deliver the goods on time.

Poor delivery performance, it says, is "no way to build or retain a reputation and (is) a sure way of losing repeat business." Chasing up production relays also wastes the supplier's valuable management time.

The basic problems are often caused by over-commitment of existing capacity and inadequate internal control over the flow of orders.

The checklist (no. 75) poses nearly 50 questions to help improve and control delivery times and is available from the BIM, Management House, Parker Street, London WC2B 5PT. (20p to members: 40p to others).

Watt's up, Doc?

LAST MONDAY'S article on lighting by Dr. David Carrick contained arithmetical errors. The running cost of a 60 watt bulb, at average commercial rates, is about 2.9p per 24 hours, not per hour as stated. A twin five-foot, 200 watt (not 400 watt) ceiling light costs about 10p for 24 hours (not per hour). Thus 1,000 such strip-lights would cost about £100 per 24 hours, and, as originally stated, the same number of 60 watt bulbs would cost about £29.

LOMBARD

The reluctant salesmen

BY COLIN JONES

SELLING COUNCIL houses to sitting tenants is supposed to be established Conservative policy. But Conservative councillors have been remarkably slow to get sales moving since they began re-capturing control of most of the country's town halls three years ago. In 1975 and 1976 when sales totalled 2,100 and 4,100 (excluding houses built for sale) they could blame high interest rates and the shortage of mortgage funds.

These difficulties faded away more than a year ago. Yet by the second half of last year the annual rate of sales, according to the latest estimates, had risen to only about 11,000 to 12,000.

This compares very poorly with the past period of Tory domination of local Government, when sales rose from 6,000 in 1970 to 45,000 in 1972. It is true Conservatives were then in power at Westminster: but, while the present Government's attitude can hardly be said to be encouraging, it has not withdrawn its general consent to the sale of council houses.

In fact, if one analyses the figures, the problems seem to lie more on the local authority side. Housing is generally a district council responsibility and at the past district elections two years ago the Conservatives were left in control of almost three-fifths of the 404 local housing authorities in England and Wales, with Independents and Labour each controlling almost another fifth. Yet only 40-50 per cent of all local housing authorities sold houses to their tenants in the second and third quarters of last year.

The issue has become so embroiled in party political dogma that it is difficult to mount a serious debate. More is the pity for the arguments in favour of selling council houses to tenants who want to own their home are overwhelming. Perhaps the most telling point is that so many tenants do, as was demonstrated by the consumer survey commissioned for the Little Neddy report on housing last year.

First choice

This showed that owner-occupation was the first choice of a large majority in all age groups of the population. Only among the under 20's (who could not yet afford to buy) and the over 55's (who preferred to stay in their present home) was renting given as the first choice by a significant minority. In these two groups, the number opting to rent was 29 per cent and 42 per cent respectively as against 66 per cent and 55 per cent who preferred to own. In the 20-54 age group, 21 per cent opted for renting and 76 per cent for owning.

The pattern was similar among those living in rented accommodation although, because of the relatively high concentration of young and elderly in these tenures, the proportion preferring to own was somewhat lower than in the population generally. Even so, 40 per cent of all local authority tenants gave ownership as their first choice.

Those who oppose a policy of selling council houses say that the most desirable houses will be bought, leaving local authorities with the ones that are difficult to let; that the loss of re-lets will make it harder for councils to meet needs in areas of housing stress; and that the financial advantages of selling are ephemeral since over time the Government will pay out more in mortgage tax relief than in subsidies and the council will lose rental income which would have risen in value against interest charges on a historically-determined debt.

Better mix

These arguments, which are eagerly advanced by local housing bureaucrats who do not want their empires reduced, are all fallacious. Local authorities are already being exposed to market choice as housing shortages disappear. When a house sold by a council eventually becomes vacant it will be available for re-sale, and somewhere along the chain of sales there will be a first-time buyer moving out of rented accommodation which can then be re-let. As for the financial argument it is valid only if one deals in funny money and not in real resources.

In fact, allowing tenants to buy their homes increases mobility, leads to higher standards of maintenance and repair and so contributes to a better balance between investment and improvement. It brings about a mix of tenures and so will help to offset the social consequences to the local authority sector of the growth in owner occupation and the contraction of the private rented sector.

In short, selling council houses promotes, not hinders, the aims of housing policy. It facilitates the process of adapting local housing strategies to the changing kaleidoscope of needs. The days when most of us rented our houses have long gone. Today most people want, and expect, to own.

THE WEEK IN THE COURTS

Judges lend their weight

BY JUSTINIAN

IT WAS quite like old times reading about the Restrictive Practices Court, that experiment of the 1950s in the use of the judiciary and the judicial process in the solution of economic policy problems. That admixture of judge and layman (with specific relevant expertise) has been extended in recent years, and deserves to be closely studied.

The immediate cause for these thoughts was the convening of the Restrictive Practices Court to hear the first application by the Director General for Fair Trading for an order restraining a bakery firm from continuing to commit breaches of the food and drug legislation. It was the first time the Director General had brought a case to court under the Fair Trading Act 1973.

The instant case* involved a course of conduct which led to the bakery firm being convicted between 1973 and 1976 of offences under the Food and Drugs Act 1955. Bread produced by the firm contained such impurities as "rodent droppings, a metal bolt and insect frass, a moth and dead larvum." In the event the Restrictive Practices Court accepted undertakings from the director of the bakery company that it would take all reasonable precautions and exercise due diligence to ensure that no further offences would be committed.

Section 34 of the Fair Trading Act 1973 provides that where it appears that a person carries on his business in a manner which is detrimental to the economic interests of consumers, or the interests of the health and safety of consumers, and is unfair to consumers, the director general must endeavour to extract adequate assurances from the perpetrator that he will desist from carrying on a similar course of conduct.

Revival

In the last resort the director general may bring the matter to the court for an order restraining the businessman.

This first venture involved no flexing of the court's muscles. The undertakings offered by the bakery firm—which did not appear before the court—proved satisfactory to the director general and the court. Everyone went away without much fuss and bother to contemplate the fleeting revival of the court's jurisdiction.

When the Restrictive Practices Court was launched as an experiment for resolving economic problems, there grew a belief in the justiciability and essentially legal nature of the economic issues posed. What was characteristic of that period was that the judges sitting with their lay colleagues were insistent that the proceedings should avoid being formalistic. They were prepared to look to the commercial reality of the facts presented.

Nevertheless, the development of a clear underlying policy ensured that the approach was still rather legalistic. From the very first case, the court insisted that the concept and burden of proof was the same before the court as that applied in an ordinary civil law court. Lord Devlin—as Mr. Justice Devlin he was the first chairman — had declared that the basic policy of the Restrictive Practices Act, 1956, had been settled in favour of competition.

He concluded in the court's first judgment that "our task is the ordinary task of a court of law to take the words of the Act according to their proper construction and see if, upon the facts proved, the case falls within them.

But that legalism did not last. The Court settled down to a more recognisable amalgam of judge and layman. The language of the English style of anti-trust legislation, which happily avoided the technical jargon of economist and lawyer alike, made room for the layman to have a large say in the decision-making. Some of the lay judges became very experienced in the type of work handled by the court and their influence grew perceptibly.

Crucial

There had been rumblings that the Act had been interpreted too strictly and that too much competition in some industries would be against the public interest. The Water-Tube Boilers decision in 1959—the only decision in favour of industry—was widely applauded by the business community.

By 1960 the heavy dose of legalism had been watered down to the point where the pro-competitive philosophy had been noticeably weakened. The implications of such a development have become crucial in any evaluation of the handling of social and economic policy issues by a tribunal composed of judge and laymen.

The experience of the Restrictive Practices Court was sufficiently encouraging to parliamentarians for the experiment to be repeated. The Industrial Relations Act, 1971, established the National Industrial Relations Court.

That body took the informality of procedure to a greater extent. Only occasionally did Mr. Justice Donaldson forget where he was and assert the formal power of a judge. In the vast mass of industrial relation problems he was immensely successful in resolving the myriad of problems of labour relations, to the universal satisfaction of the rival contenders. It was when the court was faced on the rare but publicly notable occasions with the acute problems of the railwaymen's pay and the dock workers' Tollypuddleism over containerisation that odium was incurred from the Labour opposition.

If the court in its short life earned disfavour with the present Government, it notched up several good marks among the practitioners in this field. So much so, that its successor, in a more limited jurisdiction under the current trade union legislation, has been able to build on that fund of goodwill. The Employment Appeal Tribunal has been a good example of how a mixed tribunal can handle social problems with a distinct legal components with rare good sense.

Functions

The only adverse comment is that some of the judges who have staffed the court have not quite decided how informal the proceedings should be. The delicate touch that Mr. Justice Donaldson brought to the NIRC hearings has not always been present in his judicial brethren. That apart, the Lord Chancellor must feel pleased with the resurrection of the composite tribunal after the fierce criticism of his Cabinet colleagues about its predecessor.

English judges have thus been quite successfully entrusted with functions which go beyond what has been traditional fodder for the courts of law. The main political advantage has been the respect which judges are accorded in England. Thus weight is given to the judgments of the tribunal over which they preside. On the other hand, when judges become embroiled in overt policy decisions and political issues, they tend to lose respect. Their prestige, after all, is grounded in the single fact that they are so rarely pitchforked into the political arena.

Any extension of their functions must take care that the prestige is not lost or even put in jeopardy.

It is never wise to disguise economic or social policy issues in a judicial garb. Political issues must be resolved fundamentally in the political forum. That said, there is room for using the judicial qualities for resolving some of the policy issues that do not touch the very nerve centre of political life. The establishment of the Restrictive Practices Court and other similar composite tribunals have proved that, given foresight and careful planning, the judicialising of some policy issues is a feasible and even wise development.

* *Director General of Fair Trading v. Smiths Bakeries (Westfield) Ltd. and another. The Times Law Report. May 11. 1978.*

Carry on Brearley

CRICKET

BY TREVOR BAILEY

RIGHTLY, LOGICALLY and predictably, the selectors have named Mike Brearley as captain of England for the three Tests against Pakistan, and he will also lead an interesting MCC team against them at Lords next week. During his brief reign, England have regained the Ashes and have not lost a Test, while he has almost justified himself with the bat, admittedly in a period when there have been few English batsmen producing figures normally associated with international cricket.

It was therefore entirely correct to give him the job for the first half of the summer, and unless he falls ill, runs into a horrid patch or his side encounters a series of disasters, I expect him to be asked to continue against New Zealand and for the tour to Australia this winter.

The re-appointment of Brearley is no reflection on Geoff Boycott, who took over during the tour last winter after Mike had been injured, and did a thoroughly professional job, even if he had the misfortune to captain England in their first-ever defeat by New Zealand. Boycott's great ambition is to establish himself as the regular skipper, in the manner of his two fellow-Yorkshiremen, Sir Len Hutton and Ray Illingworth. He could well achieve this objective. Apart from being next in line to the throne, the casualty rate for deposed kings has been high over the years.

The head wearing the crown of English cricket is as uneasy—indeed, considerably less secure—than that of a football manager, who at least has the financial compensation of a contract. One of the many casualties in recent years was Brian Close, who lost the captaincy after incidents in a county match which are fiercely defended in Brian's rather disappointing autobiography, *I Don't Bruise Easily*, due out this week.

Colin Cowdrey, a delightful, thoughtful and occasionally indecisive skipper, was a perpetual caretaker and a frequent vice-captain. Although he toured Australia on a record number of occasions, he never took the party; perhaps he was too nice.

A heavy, or catastrophic, defeat has ended many careers including those of Mike Smith, Ray Illingworth and, most recently, Mike Denness. It was not so long ago—May, 1976—that Denness was captain of England and Kent. Few at that time fancied Mike Brearley's chances of being picked for England, let alone leading the side, or imagined that Denness would lose both titles in a matter of months.

When Tony Greig was entrusted with the national XI, he seemed destined for a lengthy reign because he was young, worth his place on playing ability and possessed considerable charm, presence and enthusiasm, which more than compensated for a certain tactical naivety. He would still be in command if he had not become Kerry Packer's undercover agent.

This piece of commercial realism (or treachery, depending on viewpoint) let in Mike Brearley, who had already shown himself to be an astute and successful skipper for Middlesex and vice-captain in India. Mike is a quiet, unspectacular, intelligent leader — the complete opposite to his flamboyant predecessor. As a batsman he is an accomplished and dependable county opener, slightly limited in strokes but equipped with more determination than most. Although in 1976 against the West Indies he did not look a true international, with Boycott still in self-imposed exile this could have been said about most of our batsmen.

How does one differentiate between the Test class and the good county player? Averages can be, and often are, misleading. But taken over a decade they do provide a guide to ability. The accomplished county cricketer will have a first-class average in the mid-30s, with the Northerner averaging two to three runs less than his Southern equivalent because of fewer sympathetic pitches.

The class player will be averaging 40 and over in both first class and Test cricket, which Boycott does and Brearley does not.

In addition to the present shortage of quality batsmen, our selectors are restricted in their choice for national captain, especially if they believe he should be skipper of one of the 17 counties. Apart from Brearley and Boycott, four of the county teams are either led by overseas cricketers of would be but for the Packer affair; five are led by veterans. This leaves Frank Hayes, in his first season in charge of Lancashire, Keith Fletcher and Richard Gilliatt, and the new captains of Surrey, Somerset and Warwickshire: Knight, Rose and Whitehouse.

One of this last trio will probably become captain of England in the future, unless a fresh face appears or it is realised that being a county skipper is not necessarily an essential requisite, as demonstrated by two outstanding captains—Hutton and Illingworth. Although the latter had led Leicestershire on several occasions, when he took over the England job his success stemmed from a deep insight acquired over the years as a player. Ray was essentially a player's captain with a calculating cricket brain, rather than an instinctive leader.

The first requirement of a successful captain is a powerful side. The good skipper is the man who makes the most of the talents at his disposal, while he should also be worth his place as a player. The days of carrying passengers are over.

Both Brearley and Boycott are capable of leading England to victory over Pakistan and New Zealand, but on tour in Australia, where extraneous problems crop up, the former has the edge because of Boycott's basic lack of security, which can be seen on occasions in his batting and captaincy. It would therefore be helpful if Brearley, for the first time, were to score heavily in the Tests this summer.

Rewards of enterprise

TENNIS

BY JOHN BARRETT

YESTERDAY saw the completion of the 1978 finals of the World Series of Tennis. A week ago, in Kansas City, Tom Okker of The Netherlands and his Polish partner Wojtek Fibak beat Stan Smith and Bob Lutz, the most successful U.S. pair of all time, in the doubles final for a first prize of $80,000.

Yesterday in Dallas, Vitas Gerulaitis beat fellow-American Eddie Dibbs, 6—3, 6—2, 6—1 in 94 minutes to claim the $100,000 first prize from the $200,000 eight-man singles play-offs. (Unfortunately the 1976 champion, Bjorn Borg, was forced to retire at the semi-final stage.)

This is the eighth year of professional tennis in Dallas presented by Lamar Hunt's World Championship Tennis organisation, which is based there, and once again WCT has done things in style. In fact, WCT has done more than any other organisation to modernise tennis, and its considerable skills have been unashamedly copied by rival entrepreneurs.

WCT came into existence in 1967, when the amateur game was bursting at the seams with talented players seeking an enlarged theatre in which to display their skills. Dave Dixon, a New Orleans promoter who had the financial backing of Lamar Hunt and his nephew Al Hill Jr., signed up the Handsome Eight for a world-wide tour of jazzed-up professional tournaments.

But Dixon's daring innovations, which included coloured clothing, playing for $10 per point, encouraging the spectators to barrack, and playing with the VASS scoring system—the precursor of the tie-break—were all ahead of their time. Within six weeks, Dixon had sold out his interests to Hunt and Hill.

But alarm bells were already ringing in the corridors of power. The International Lawn Tennis Federation, which had steadfastly resisted past efforts to introduce open tennis, were at last persuaded to do so. The fact that WCT now had under contract eight of the most exciting men in the tennis world—John Newcombe and Tony Roche, of Australia; the Americans, Dennis Rayston and Butch Buchholz; Cliff Drysdale, of South Africa; and the three Europeans, Pierre Barthes, of France; Nikki Pilic, of Yugoslavia; and Britain's Roger Taylor—brought action at last, and the first open tournament was held at Bournemouth in April, 1968.

Thus WCT can be credited directly with precipitating the most important single development the game has experienced in its 90-year existence. Now, ten short years later, the sport has entirely shed its Edwardian garden party image to become a virile sporting industry.

More importantly, during the past decade the patience and persistence of Hunt—plus, it must be added, his not inconsiderable financial resources—have forced the game to discard outmoded attitudes. Realising that he lacked expert tennis knowledge, Hunt hired Mike Davies, the ex-British Davis Cup player, as his executive director, and Davies proved an inspired choice.

Lamar Hunt, the mastermind of WCT: his determination and money propelled the sport out of the Edwardian era and gave it the status of a virile modern industry.

In 1971 they launched the World Championship of Tennis, a points-linked circuit of 20 tournaments with $1m. in prize money. The venture was an immediate success and brilliantly realised Hunt's dream of creating "a professional game that is at once a financial and artistic success." It also galvanised the ILTF into expanding the experimental Grand Prix circuit devised by Jack Kramer and cautiously launched the previous year as a means of preventing players from signing personal contracts with individual promotors.

There followed two years of conflict which saw the WCT men barred from Wimbledon in 1972, and saw too the foundation of the Association of Tennis Professionals, a players' union in which Kramer took the leading executive role.

Despite the open hostility of traditional administrators and the muted hostility of ATP which sought to widen the opportunities for its members in the WCT tour, the Dallas group survived, though at some cost to Hunt's deep pockets.

Two epic Dallas finals, in 1971 and 1972 in which Ken Rosewall beat Rod Laver both times, had already established the World Championship of Tennis as a prestigious title, and the steady growth in rewards assured the lasting interest of the players.

From $1m. in 1971, the circuit this year offers $2.47m., and incorporates a number of special events. Following the uneasy truce between 1973 and 1977, when WCT occupied the first four months of the year with the Grand Prix occupying the remaining eight, the wheel has come full circle at last. This year, WCT has been part of the Grand Prix, with players winning points towards both Kansas and Dallas and also towards the Grand Prix bonus pool and the Masters Tournament in January.

Other innovations have affected WCT adversely. The doubles field in Kansas was moderate, due chiefly to the activities of Team Tennis, the US inter-city league whose existence threatens the whole concept of tournament tennis. Then last week the defending champion, Jimmy Connors, declared himself unavailable.

By sticking to its principles and changing direction when events demanded it, WCT has contributed enormously to the growth of the pro game. Clearly there is still a place for individual enterprise, provided it can command the respect of the governing body and the players.

After seven years, Hunt and Davies have certainly achieved that.

Whitstead: don't take 10's

RACING

BY DOMINIC WIGAN

I SHALL be surprised if we saw the winner of next month's Blue Riband in Saturday's Ladbroke Derby Trial at Lingfield. Although the winner, Whitstead, eventually won by four lengths at the chief expense of the 25-1 chance Son Fils he was far from impressive, taking a long time to overhaul the second, a Mon Fils colt. Like his sire, this one clearly relishes the mud.

The supporters of Whitstead, who appeared a worthy 5-4 on favourite as he lobbed along in the first half of a slowly run race (more than 20 seconds above average) received their first fright just after the turn into the home straight. At that point, Dactylographer went past the Findon colt in hot pursuit of Son Fils. However, lack of a previous run then told on the tall Secretariat bay, and in a matter of strides his challenge collapsed.

From then on it was merely a question of whether Whitstead could produce the speed necessary to pull back the leader. He succeeded, but not with the turn of foot hoped for. I for one would not be tempted by an offer of even five points over the 10-1 now being quoted by the leading layers.

The fact that Leonardo da Vinci (a firm 11-4 chance for the Derby) will be trying to justify Epsom favouritism with a victory in Wednesday's £14,000 Mecca Dante Stakes seems certain to give a boost to York, for a record crowd for the day's racing now seems possible providing we have a break in the weather.

It was at one time thought more than likely that France's leading owner, Daniel Wildenstein, would opt instead for yesterday's Prix Lupin, in which a successful Leonardo da Vinci would have collected some £75,000 (one-third of that sum a breeder's prize), so the owner's sporting decision to run instead at York has to be applauded.

In to-day's racing, finding soft-ground specialists—or those that can handle the mud—is clearly of paramount importance. One who seems to relish plenty of give in the ground is Rifle Brigade, a good second to Princess of Man at Epsom recently.

He looks a good bet to regain winning form at Ayr. Another whom I expect to see scoring on the Scottish track is Inviter, who probably came up against a nippy sort when losing to Be Cross in the Richmond Stakes at Catterick.

AYR

2.30—Thorganby*
3.00—Inviter***
3.30—Emerald Emperor
4.30—Rifle Brigade
4.30—Scott James
5.00—Pinceptico

TV/Radio

† Indicates programme in black and white

BBC 1

6.40 a.m. Open University. 9.38 For Schools, Colleges. 10.45 You And Me. 11.22 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Camberwick Green. 2.01 For Schools, Colleges. 3.15 Songs Of Praise from St. Martin's Church, Stamford. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 a.m.). 4.20 The Oddball Couple. 4.40 Cheggers Play Pop. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News (London and South-East only).
5.55 Nationwide.
6.20 Nationwide.
6.50 Taste For Adventure.
7.20 Angels.
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "The Legend Of Lizzie Borden."
11.00 To-night.
11.40 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

Wales—1.45-2.00 p.m. Pili Pala. 2.18-2.38 For Schools. 5.55-6.20 Wales To-day. 6.50-7.20 Heddiw. 11.40 News and Weather for Wales.

Scotland—5.55-6.20 p.m. Reporting Scotland. 11.00 Public Account. 11.35 News and Weather for Scotland.

Northern Ireland—3.53-3.55 p.m. Northern Ireland News. 5.55 Scene Around Six. 6.20-6.50 Land 'N' Larder. 11.40 News and Weather for Northern Ireland.

England — 5.55-6.20 p.m. Look East (Norwich): Look North (Leeds, Manchester, Newcastle); Midlands To-day (Birmingham); Points West (Bristol): South To-day (Southampton): Spotlight South West (Plymouth).

BBC 2

6.40 a.m. Open University.
11.00 Play School.
4.55 Open University.
7.00 News On 2 Headlines with sub-titles.
7.05 Taking Shape.
7.30 Newsday.
8.10 An Evening With Glen Campbell and the Royal Philharmonic Orchestra.
8.50 Ersatz (Academy Award-winning cartoon).
9.00 Pickersgill People.
9.55 Tales Of India.
10.35 Sea Tales.
11.05 Late News On 2.
11.15 The World Championship of Tennis (semi-finals).

LONDON

9.30 a.m. Schools Programmes. 12.00 Jamie And The Magic Torch. 12.10 p.m. Rainbow. 12.30 Drive-In. 1.00 News plus F.T. index. 1.20 Help! 1.30 About Britain. 2.00 After Noon. 2.25 Monday Matinee: "Wuthering Heights." starring Anna Calder-Marshall and Timothy Dalton. 4.20 Clapperboard 4.45 The To-morrow People. 5.15 Batman.
5.45 News.
6.00 Thames At 6.
6.40 Help!
6.45 Whodunnit?
7.30 Coronation Street.
8.00 Devenish.
8.30 World In Action.
9.00 Rumpole Of The Bailey.
10.00 News.
10.30 The Big Film: "The Power."
12.25 a.m. Close: Rudolph Walker reads a Caribbean poem by Rick Ferreira.

All IBA Regions as London except at the following times:—

ANGLIA

[illegible]

ATV

[illegible]

BORDER

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible] 11.30 The Monday Film: "The Mitera Target."

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion y Dydd. 2.00-2.25 Hamdden. [illegible]

HTV West—As HTV General Service except: [illegible]

SCOTTISH

[illegible]

SOUTHERN

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

WESTWARD

[illegible]

YORKSHIRE

[illegible]

RADIO 1 247m

(S) Stereophonic broadcast

[illegible]

RADIO 2 1,500m and VHF

[illegible]

RADIO 3 464m, Stereo & VHF

[illegible]

RADIO 4 434m, 330m, 285m and VHF

[illegible]

BBC Radio London 206m and 94.9 VHF

[illegible]

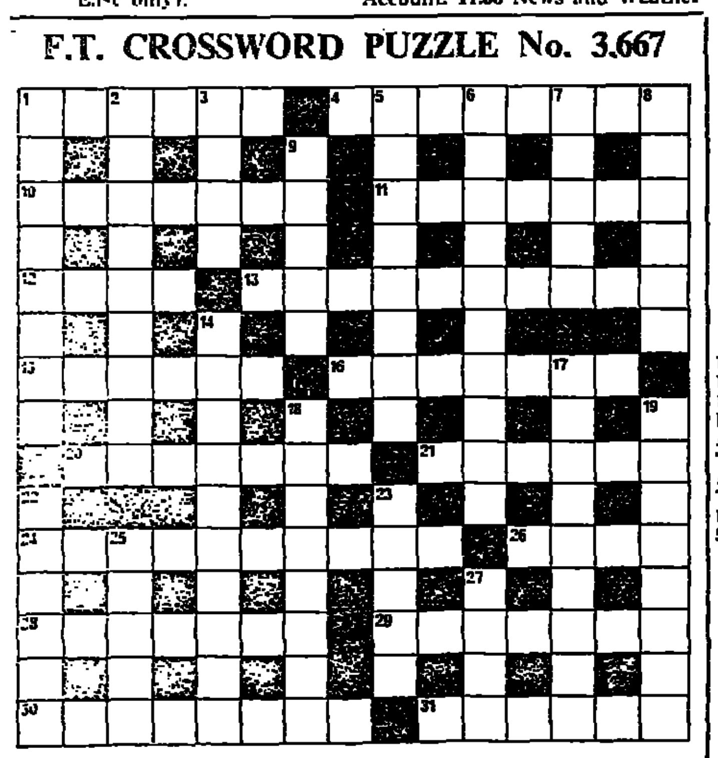
London Broadcasting 261m and 97.3 VHF

[illegible]

Capital Radio 194m and 95.8 VHF

[illegible]

F.T. CROSSWORD PUZZLE No. 3,667



ACROSS

1 Cheerless endeavour bound to succeed (6)
4 Note friction leads to a beating (8)
10 Middle East republic gets on after the French prohibition (7)
11 Constellation with a number resembling the King of the Jungle (7)
12 Ancient god returns to port (4)
13 Without any money like the Augean stables (7, 3)
15 One doctor has information for the princess (6)
16 Coloured girl has a place in the West Country (7)
20 Sir Dave should be made counsellor (7)
21 The old boy can let off steam (6)
24 Needing rib possibly to generate within (10)
26 Secular—first class included in the small print (4)
28 "Neither shall they say Lo here, or ——" (N.T.) (2,5)
29 Feature home as pledge (7)
30 After answers to the charge the worker is cheerful (8)
31 There's a place in New England for a good man in favour (6)

DOWN

1 Approval of speech springs to help (4, 4)
2 Distinguished peer with old boy and the French student in the north of France (5, 4)
3 A foul row (4)
5 Available for exhibition—no longer inside (8)
6 Tamed animal turns up—but don't rely on it (6, 4)
7 The architect says he is entering (5)
8 Examination of VIP's? (6)
9 A point of view that is sometimes obtuse (5)
14 Boundaries where fairy cycles can be parked? (10)
17 Old or new, thanks to people in the trial (9)
18 Departed with lament, though full of enthusiasm (4, 4)
19 An admirable character (8)
22 A sound incentive for the Duke of Edinburgh (6)
23 A good shot makes the victor lose his head (5)
25 Under the striker he has a dip (5)
27 River keeps the Fleet between two levels (4)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

New York musicals

Back to elegance and style

by FRANK LIPSIUS

Billed as a comedy with music, *A History of the American Film* is a clever pastiche of American popular heroes of this century. It starts out in a shanty town where Jimmy, a cigar-chewing ne'er do well, corrals Loretta, a young innocent, in spite of the machinations of his tough, sexy original old lady, Bette. This new affair must be love because, the song tells us, "They can't prohibit love, we make it in the tub."

From there the show follows the fate of this trio through the long sordid tale of American cultural pre-occupations. Bette always finds some ruse to keep the great lovers separated. Particularly good is the 1930s scene in the home of a wealthy matron where Jimmy is a suave suitor and Loretta an escaped chain-gang prisoner. The scene makes much of the black maid, played to adept awkwardness by a man, Ben Halley, Jnr., one among a number of stereotypes: foreigners with exaggerated accents cornering the sexiness market; the American father, confused and browbeaten by his wife.

The play does not strenuously attempt to touch all the bases, though the author, Christopher Durang, manages to bring in such diverse landmarks as *Dr. Strangelove*, *Who's Afraid of Virginia Woolf*, *The Exorcist* and, by the end, *Earthquake*. The characters vaguely age with their experiences: a *Citizen Kane* scene shows Jimmy as the bored, heavy-drinking millionaire supporting the opera career of his unbeloved wife, Bette, while Loretta sings torch songs and cadges drinks from the blasé, sophisticated clientele.

When Loretta begs to be put out of her misery, a recurring motif that makes a smooth transition—in this case, to Rick's Bar in *Casablanca*—from scene to scene, each one leaving her without her beloved Jimmy. While capturing each era in broad strokes gives the director, David Chambers, the chance to show off his talents, it is at the conclusion, with catastrophe piling on catastrophe, that he exhibits great skill in keeping the focus on poor Loretta and her final apotheosis on a rising "The End" sign.

The large cast, led by Gary Bayer as Jimmy, April Shawhan as Loretta and Swoosie Kurtz as Bette, all look as though their diverse roles come second nature to them. They also competently handle the music of Mel Marvin who captures the mood of the eras passing on parade.

*

On the Twentieth Century arrived on Broadway with so many of the right credentials its failure would have marked a revolution in American taste. It boasts book and lyrics by Betty Comden and Adolph Green, music by Cy Coleman, direction by Hal Prince and story based on the works of Ben Hecht, Charles MacArthur, and Bruce Mulholland.

In fact, the solid-chrome pedigree, including the smart, shiny chrome set by Robin Wagner, all contribute to success that is more than the sum of its parts. The music is not particularly memorable, the acting, by John Cullum, Imogene Coca and Judy Kaye is mannered in the best statuesque 1930s style, but it rarely rises above self-conscious imitation. The directing is forceful and keeps everything moving, so no one notices the complex story line's dependence, in the end, on the same appeal to a woman's heart that had failed several times already. John Cullum plays a theatrical impresario with a string of failures behind him, who attempts to cajole Hollywood's greatest star—a woman he originally discovered and loved—to save his career with one last show for him. He has 18 hours to convince her, while the flashy Twentieth Century train takes its exclusive passengers from Chicago to New York.

Judy Kaye, who recently replaced Madeline Kahn in the role of the star, is the character least confined by mannered imitation, and along with the impresario's underlings played by Dean Dittman and George Coe, gives gritty life to the romantic imagery of art-deco high living.

A couple of musicals will soon be opening with contemporary themes, but the dominant mode is definitely nostalgia, especially for recognisable periods of elegance and style. Both off Broadway and on, the American musical holds on to its heritage from the 1950s, smothered in optimism and exuberance—even if it has to delve into the past to muster up the requisite smiles.

*

The same can even be said of a musical exposing the hypocrisy of American public morals. Called *The Best Little Whorehouse in Texas*, the theme is drowned in good ol' American high-kickin', low entertainin' rib-ticklin' fun. In fact, the proceedings at times get too sickly wholesome and gooey with sentiment.

The play started out as a *Playboy* article on the public attention that forced the closing of a popular, century-old bordello in Texas, where noted politicians had long loved to frolic. The article's author, Larry L. King, collaborated with Peter Masterson, the play's director, who originally saw the theatrical potential in King's story, to turn the situation into a celebration of fun doused by puritans' forcing the politicians to act against their own interests.

Carliny Glynn as the madam and Henderson Forsythe as the town sheriff deserve a lot of the credit for showing the wholesomeness of the Chicken Farm's operation, with the madam sheltering homeless, luckless girls and unloved, debauched, successful old men. Matching them up is one of the Chicken Farm's great virtues; the other is hosting the winning team of the annual local college football game, where inexperienced young athletes learn a new off-season sport from the obliging pros. The football scenes are particularly well staged by Tommy Tune with rows of cheerleaders simiulated by Lego-legged props, but they only bring home the triteness of sports'-hero heroism.

There are also a lot of good lines, both in the dialogue and Carol Hall's country songs; but over all, with the Chiecken Farm inevitably, predictably closing down, the play limps to its climax. To think that the warm-hearted prostitute and chicken-hearted politician are the stuff of heroism displays a naivete that takes American musicals back to the 1950s.

*

So does *Timbuktu!* for quite a different reason. A remake of *Kismet* with the setting transposed to the legendary golden city of medieval Africa, the spectacle is mounted like a royal investiture. Every scene begins with a procession; done in lavish costumes. The ostentation, proving at least that Broadway has not yet run out of backers, parodies the musicals of yesteryear, when cost was besides the point, not the point itself.

Eartha Kitt, in a rather inarticulate growl as the Wazir's wife appears something like a spaceman. Melba Moore is darling as the soothsayer's daughter and Ira Hawkins as her father shows off a great voice and great aplomb in a role that could be all hectoring parent. Geoffrey Holder, responsible for the costumes, directing and set, seems to have got his priorities all mixed up, except that he has a successful show on his hands, so perhaps he's right.

*

The virtues of modesty are evident in an off-Broadway musical, *A Bistro Car on the CNR*, where four cabaret artists entertain passengers travelling by train from Toronto to Montreal. In this flimsy but apparently historically substantiated framework, they sing and dance with great spirit. The bistro car conceit seems almost superfluous, but in fact it allows the cast, consisting of Marcia McLain, Henrietta Valor, Patrick Rose, and Tom Wopat to work with each other and talk directly to the audience with the familiarity of riding the rails together. Henrietta Valor does a particularly notable imitation of a French chanteuse and Pat Rose, who also composed the music to the show, delivers his own material engagingly. And the material itself makes good use of its loose context to show off a variety of song styles and harmonies that one hears too little of these days in the American musical.

April Shawhan and David Garrison in 'A History of the American Film'

Royal Court

The Glad Hand

by MICHAEL COVENEY

Snoo Wilson is nothing if not adventurous. His recent plays have included a dramatised biography of Aleister Crowley, a macabre discussion of "the pleasure principle," an epic investigation of vampirism down the ages, a fire cracker dissection of the theories of Eugene Marais, and an ambitious, under-rated musical about the Kray brothers in which paranoia was the theatrical norm. He tackles dark pockets of human endeavour with an original wit and a savage humour. More than any other young dramatist, perhaps, Wilson *expects* the theatre to provide a crucible for serious discussion of deviant philosophies and ideas.

He is, in short, a special talent, and his new play, sumptuously and energetically staged by Max Stafford-Clark, finds us on board an oil tanker drifting towards the Bermuda triangle as a manic, self-styled student in the field of political psychic research leads his motley crew in pursuit of the Anti-Christ. Like Ken Campbell, Wilson reserves the right to be ambiguous about his subject matter, maintaining a jocular attitude towards the beast he spawns. Thus, we are never *quite* sure whether the characters are transported in a time warp back to the cowboy strike of 1886, the occasion of Anti-Christ's last recorded appearance, or whether the play within a play operates as a contained fantasy. Real events keep jostling up against those prescribed by the South African megalomaniac Ritsaat.

So, a phoney pyramid operation on an American cowboy (himself feigning illness in order to satisfy lust) is interrupted by "a synchronicity event," that is, the ramming of a small boat sailing round the world. The boat's two female inhabitants clamber aboard, but their lesbian alliance is further, and more profoundly, shattered by the discovery by one of them of a long-lost husband and daughter. The first act of the play, with reunions, hostilities and general thespian hubbub (two of the company are a couple of starchy English actors who later assume the roles of ludicrous explorers in the Great Plains!) seems to me to be not only one of the best pieces of playwriting yet achieved by Wilson, but also one of the funniest first acts I've seen in a long while.

Not least among the pleasures is the sight of a stage full of brilliantly gifted young British actors in perfect tune with their text and backed up by the confidently applied resources of a large stage. That does not happen too often at the moment, and the cast set about their task with justifiable relish: Antony Sher is sheer delight as the stocky, shaven-haired Ritsaat; Nick Le Prevost and Will Knightley a finely balanced double act with receding chins and memories of bad rep productions; Tony Rohr the very essence of laconic participation as the Irishman with not only Ritsaat's madness, but also his family, to keep at arm's length; and Julie Walters, Di Patrick and Gwyneth Strong as a fascinating trio of put-upon femininity.

The play has gone through several re-writes and a few false notes and longeurs remain in the second half. By this time we are back in the Wild West proper and the company has decided to thwart Ritsaat by drumming up a drunken Cuban slave to pass off as the Anti-Christ. Which, indeed, according to the final tableau, he may well be after all, and in spite of Wilson's cornucopian invention! But the writing is subtle and entertaining to the end even if Wilson the dramatist has not done himself justice by recording the struggle of the cowboys against the march of progress (in the form of the railroads) in a declamatory style that jars with the rest. However, you leave the theatre refreshed and uplifted, grateful for having rubbed shoulders with genuine talent. The splendid design is by Peter Hartwell.

'The Great British' exhibition

The National Portrait Gallery has been collecting pictures of eminent Britons since 1856, naturally concentrating on paintings. For the past six years, it has also been acquiring the best possible photographic portraits and has now commissioned a series of these from the distinguished American, Arnold Newman.

Arnold Newman, who celebrates his 60th birthday this year, has been one of the world's leading photographers since the 1940s. He is now in England for six weeks to take some 30 or so portraits for an exhibition entitled *The Great British*, sponsored by the Sunday Times which will open in the autumn at the National Portrait Gallery.

'Flying Blind' at the Royal Court

From June 20, the Royal Court will present *Flying Blind*, a new play by Bill Morrison, the resident dramatist at the Everyman Theatre in Liverpool. The play was first performed there in November last year. This new production to be directed by Alan Dosser and designed by John Gunter.

Cormac Cockrell

Margaret Barbieri and Desmond Kelly

Sadler's Wells

Game Piano

The Wells Royal Ballet season at its home theatre ended at the week-end. We have had an interesting, and in the main rewarding, three weeks: the good was often very good indeed—the company's cracking performance of *The Outsider* was magnificent; so were the revivals of *Rashomon* and *Solitaire*—while only works essentially foreign to the group's experience looked flimsy. These were the two Diaghilev stagings, *Les Sylphides* and *Boutique Fantasque*, which need further coaching, and Dame Alicia Markova to explain their nuances to the dancers, and *Concerto Barocco*.

That *Boutique* can be redeemed was seen on Friday night when Lynn Seymour appeared as the Can-can dancer, and glory shone around. In a performance entirely unforced and beguiling, Seymour gave the ballet back its heart.

Friday also brought the first performance of a new work by Jonathan Thorpe, a guest from Northern Ballet Theatre. His *Game Piano* is a ballet wherein what may have initially seemed a bright idea—the creator rejected by his creation — went inexorably wrong. The further we got into the piece, the more unyielding did the score—Prokofiev's first piano concerto, well played by Stephen Lade—seem to the theme, and to the choreography, which responded with a frantic determination to hold a collapsing enterprise together with more and more steps. A deeply unappealing setting by Zoltan Imre featured a skeletal and eviscerated concert grand, whose rope-like entrails ensnared Desmond Kelly.

The piano harboured five rainbow-hued boys, with the brilliant Kim Reeder leading guerrilla attacks of expressionistic dancing which assumed that Mickey-Mousing (step for note, animated cartoon style) was a substitute for choreographic invention. Margaret Barbieri, in mauve draperies, had a hell of a time throughout. So did Desmond Kelly, who deserves better of life and art; his flight from the stage before the ballet's end I thought the one moment of truth in the whole affair.

CLEMENT CRISP

The Other Place, Stratford-upon-Avon

The Merchant of Venice

by B. A. YOUNG

This is another play that can be hateful if you believe too much of what happens in it. This production is played for romance throughout, and though the treatment of Shylock is in theory as bestial as ever, in practice it means no more than a hunting scene in a painting. Moreover, Shylock is so well played by Patrick Stewart that whenever he is on stage, he draws sympathy towards him like the deer in the hunt—we accept the ritual of the chase but we rather like the victim.

It is specially easy to like him here because those ghastly Venetian playboys are so awful. I don't mean they are badly played, though only Lorenzo gave me much pleasure; I mean that the director, John Barton, has made them vulgar and noisy beyond the call of duty. As he has chosen to dress the production in costumes suggesting the beginning of the century, more or less, their antics seem especially common as they whoop their way round Venice with hunting cries, or fire toy pistols to attract Jessica from her father's house.

Only Antonio is free from this vulgarity, and David Bradley makes such a dull man of him that it is hard to take his side, harder still to believe that such a deep love could have existed between him and John Nettles' Bassanio. Meanwhile, Shylock moves among them with untramelled dignity, whether he be smilingly conning the Christians, raving at the loss of his ducats, insisting on his legal rights or submitting on his knees to the Duke before departing vanquished from the court.

Another performance at somewhere near the same level is that of Hilton McRae as Launcelot Gobbo. I hated his first entrance, when he appeared like a punk singer, wearing a battered top hat and carrying half a dozen musical instruments (all of which he subsequently played). His scene with his blind father (Raymond Westwell), who is a senile version of the same character, is a music-hall act. I didn't like it, but I thought it uncommonly well done. Later, Launcelot is built up into a clown who is used as decoration wherever possible, and he does what he is asked to do with immense glee. I thought it wrong that he should be allowed to goose Bassanio at the scene outside Shylock's house, but he does these things with style.

Marjorie Bland is a likeable Portia, a sensible grown-up young woman who might very well have been a barrister in our own day. Mr. Barton could have let her be one, since he disregards period probability as lightly as a science-fiction writer, even going so far as to allow Antonio to smoke cigarettes in court until he is strapped in the hot seat. Nerissa is a fuzzy-haired gipsy in Diana Berriman's account, playful where her mistress is proper. Jessica, the third lady, comes into her own in the last scene, where she and Lorenzo—Avril Carson and Paul Whitworth strive most musically ot "out-night" each other.

This last flower-strewn scene is typical of the way in which all is done to emphasise the pretty or the comic, so that we may forget the brutal and the unfair that marks so much of the play. I felt by then that the world had become a fair and friendly place; but of course Belmont is only half the world. In Venice there was still a ruined Jewish merchant, weeping over his lost wealth. Well, it is the function of romance to persuade us that such things don't matter; and romance is what Mr. Barton gives us in spades.

Festival Hall

Nono & Bartok

It was tremendously encouraging to find the London Symphony Orchestra, under their principal conductor-elect Claudio Abbado, devoting the whole of the first half of a Festival Hall concert on Thursday to a new work written just six years ago—and no brief snatch either of some neo-romantic sop to public apathy, but a full-scale half-hour work for soprano, piano and orchestra by the Italian composer Luigi Nono.

Encouraging: though the work itself hardly deserved such prominence. Nono's *Com una ola de fuerza y luz* partly sets, partly illustrates, a poem to the memory of the Chilean revolutionary Luciano Cruz by the Argentinian poet Julio Huasi. It is for the most part a lame exercise in high-flown hectoring and overblown rhetoric—easy enough on the ear, but without centre, empty in the wide-open middle spaces between wistful murmuring and noisy bombast. The score lets slip, too, a crucial chance to explore the poetical and dramatic possibilities of interaction between pre-recorded stereo tape (which runs the length of the piece) and live instruments: strangely tepid counterpoint. Jane Manning and Maurizio Pollini were the excellent soloists.

Abbado and the LSO ended their evening with a fine account of Mahler's fourth symphony—and of the great third movement especially, beautifully pointed, the lapping phrases delicately dovetailed, the climaxes strong and pungent. The mezzo soloist in the *Wunderhorn* song was Yvonne Minton: slow to warm, and in her early lines once or twice awkwardly tuned, but radiant in her final pages.

*

Yesterday afternoon at the Festival Hall, Abbado and the LSO repeated Thursday's performance of Mahler's Fourth, but in their first half gave Bartok's second piano concerto, with Pollini again as soloist. It was a glorious account: a brilliant tour de force from orchestra, conductor and pianist alike, alive with energy, pungent attack and sparkling colour.

The grip was faultless: Pollini's above all, in the glittering piano-wind dialogues of the first movement, etched in crystal; in his slow-movement duet with the timpani, marvellously contained; in the finale, a torrent of blitz-octaves cut with sudden, delicate rushes of song. The partnership with Abbado had us on the edge of our seats: a whirlwind impetus that never flagged for one measure, precisely balanced, superbly controlled.

Every page had its magic: the contrapuntal waves of the opening allegro, surge on surge, the piano emerging at each crest, to fall back briefly (as it must) submerged, as the wave gathered again. Breathless gradations of string pianissimo in the adagio, cool and clear; and in the finale, a mirror of polished fragments, bright and sharp, led on by Abbado with unerring force of direction, unity of purpose. Thrilling performance.

DOMINIC GILL

Wigmore Hall

Blandine Verlet

Besides Bach, Blandine Varlet's harpsichord recital on Saturday included two members of the ramified Couperin family: not only François—"Couperin le Grand"—but his uncle Louis. The latter was represented by a fine Pavane and the savoury "La Piémontaise," and by a Suite in C in which the stautory dance-movements are preceded by one of his "préludes non mesurés." *Non mesuré* doesn't imply arhythmic, of course, but it suggests a degree of rhythmic latitude which Miss Verlet adopted most convincingly for the dance as well. She is a mistress of a stretched beat and the sudden dramatic hiatus: every phrase was given a sharply individual silhouette.

In François Couperin's 24th *Ordre*, eight movements with the usual tantalisingly suggestive titles, she gave rhythmic fantasy its fullest play. This was knowing, immensely sophisticated playing, by turns winsome, arch, pompous and ironic. A courtly exhibition, in fact, in which the player's exuberant involvement in the music licensed a good deal of wilful—and quite idiomatic—tail-twisting. The elaborate ornaments which carry so much of the expressive burden were rolled out with grand panache.

Miss Verlet approached Bach's "Overture in the French Style"—a seventh Partita, in effect—more soberly (though she could not resist bending the triplet beat of the Gigue nearly into a couplet). The "Ouverture" had majestic clarity: she found a lively pulse in each of the dances—the Passepieds had a particularly contagious spring—but allowed the brilliant part-writing proper priority, exploiting the two manuals of the instrument. Miss Verlet's diction at the harpsichord, so to speak, has a pungency quite its own, though specifically French. One would love to known how Couperin sounded when played by Bach.

DAVID MURRAY

FINANCIAL TIMES
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New broom at the Fed

THE REMARKABLE about-face by the Carter Administration on its proposed tax cut shows at the very least that the new Chairman of the Federal Reserve Board, Mr. William Miller, can deploy telling evidence to decisive effect. It does not, however, mean that the US has suddenly stepped into the front rank of those countries which give the highest priority to checking inflation. The change in fiscal policy, modest in itself, is simply the first step in what is likely to prove a long and sometimes painful campaign, and a campaign long overdue, which could help to restore stability not only in the US itself, but in the developed world as a whole.

Liquidity

The excessive expansion of domestic credit in the US, as we have been pointing out for some months past, has been the financial source of the vast outflow of dollars which has caused problems in monetary and reserve management all over the world in the last year. The trouble has not, however, been very evident until recently in the figures for the money supply in the US itself, as long as the outflow was removing the excess liquidity in the economy. It is paradoxically quite largely a result of the successful measures taken to stabilise the dollar externally — mainly since Mr. Miller took office—which have made the extent of the problem apparent. Rising interest rates and a recovery in Wall Street have been associated with an inflow of investment funds, so that the buoyant demand for bank and consumer credit in the US is now fully apparent in the money figures, which, after a pause, have started rising at an alarming rate.

It was this rise in the money supply, coupled with evidence of a strong economic recovery from the effects of the coal strike, which seems to have persuaded the Administration to reduce the fiscal boost planned for the current year, and to postpone it for a time. However, a reduction of about $5bn. in the Federal borrowing requirement will make only a marginal difference to the pressures tending to revive inflation in the US. The decline in the dollar in international markets has reduced competitive restraints on prices. Corporate borrowing is tending to rise as profit margins are becoming somewhat compressed. Consumer credit demand is at record levels; and —perhaps most suggestive of all—there are now reports of house sales booming as purchasers seek a hedge against the inflation they fear.

It is easy for a British observer to become overly alarmed by these symptoms, which are so similar to events in the UK in 1973, when fiscal and monetary policy were tightened far too late to avert the inflation which had been prepared in earlier years. The US economy is more resilient, more productive and far less vulnerable to outside shocks than our own, and the monetary inflation, on any measure, has been far less drastic.

All the same, it is clear that after three years of remarkable growth in output, but relatively sluggish industrial investment, the US economy is now within sight of overheating, and that this danger is considerably enhanced by the inflation fears which are now so widespread. Firm action to restrain financial growth is essential; and if this involves some check to real growth, this may be described as stabilisation rather than as deflation. There is no "locomotive" or other theory under which a new outburst of inflation in the US would be anything other than a severe setback for the rest of the world.

Deterrent

Unfortunately financial restraint is much more easily prescribed than achieved. As experience in this country has demonstrated, credit restraint which is left until the 11th hour or later has to be correspondingly severe if it is to get credit growth back within the desired limits—because once the fear of inflation has been ignited, moderate rises in interest rates have much less deterrent effect. If Mr. Miller is determined and the President supports him, the US may now be facing a rise in rates which is large by it own very modest standards of the past, and that rise will cause discomfort in London and elsewhere. When America swallows her medicine, the whole world may have to make a wry face—and be brave.

A setback for NATO

LAST WEEK'S vote in the Senate Foreign Relations Committee, which effectively killed the Administration's plan to lift the arms embargo on Turkey, will no doubt be welcome news to the Greeks and to the Greek Cypriots. But it represents another setback to President Jimmy Carter, by underlining his persistent difficulties in winning over Congress to his legislative proposals, and may well significantly weaken Turkey's traditional links with the West generally, and with NATO in particular.

Root cause

The root cause of Mr Carter's defeat in the Senate Committee is Turkey's intransigence over Cyprus. After the Turkish invasion of Cyprus in 1974, and the occupation of a substantial proportion of the island, the United States imposed the embargo in the mistaken belief that it could use its dominant position in the Atlantic Alliance to force Turkey to come to some reasonable accommodation over Cyprus which would be acceptable to the Greeks and the Greek Cypriots. Instead the Turks reacted by closing down the activities of virtually all of America's NATO bases in Turkey, and for nearly three years the situation remained deadlocked.

Because the pressure tactics of the previous Administration had clearly failed, Mr Carter attempted to persuade the Turkish government to be more conciliatory, by changing tack on the arms embargo in advance of a Cyprus settlement, but so far without success. Since the President announced his change of policy, the Turks have indeed tabled proposals for a Cyprus settlement, but the concessions offered to the Greek Cypriot majority are so minimal, in terms both of territory and of the future constitution of the island, that they have been rejected as "suicidal" by the Greek Cypriots.

Moreover, the Turkish government has been equally uncompromising in its dispute with Greece over the Aegean. To demand a bilaterally negotiated political solution sounds reasonable enough: but to reject the arbitration of the International Court of Justice in the Hague does not.

When the US Administration originally established the link between arms supplies and Cyprus, it failed to give adequate weight to the equally important link between Turkey's foreign policy and its grave domestic difficulties, in which very heavy unemployment and very high inflation have led to a serious wave of social violence.

The immediate consequence of the Senate vote is likely to be a Turkish decision to close down the American bases altogether. The Americans may argue that development of satellite technology reduces the surveillance role of these bases, but it is difficult to deny that they represent at the very least a significant potential asset for the Alliance, that their closure means the loss of a real bargaining card in U.S.-Soviet negotiations.

Bonn visit

Just how much further the Turkish government would wish to go in weakening its links with NATO is difficult to foresee. Mr. Ecevit clearly wishes to reduce Turkey's dependence on the U.S., but it seems unlikely that he would wish to leave NATO, let alone adopt a neutralist foreign policy. The Soviet chief of staff recently visited Turkey, but reports that Moscow was planning to supply arms to Turkey were promptly denied by the Russians. Meanwhile, Mr. Ecevit has been visiting Bonn with the explicit aim of securing military aid from West Germany, and has received an initially favourable response.

Turkey is an essential part of NATO, as Chancellor Schmidt pointed out on Friday. If Mr. Carter's hands are now tied, it will be up to the European members of NATO, and the members of the EEC, to make extra efforts to prevent any further deterioration of the situation in the eastern Mediterranean.

Farm prices: why the fur will continue to fly

BY MARGARET van HATTEM in Brussels

AS THE air clears after one of the most unpleasant EEC farm price reviews on record, the agreement reached in Brussels last week looks like a victory for the Community on three major points:

First, the fact that the farm Ministers managed to agree at all. Though the broad brush strokes of the Commission's proposals were not altered in the final outcome, sharp clashes of national interests on points of detail threatened until the last minute to sabotage the whole thing.

Second, the allocation of substantial funds to help farmers in the more backward Mediterranean regions—hailed as a historic breakthrough and a sign that the economically stronger North accepts a degree of responsibility for the still developing South; and

Third, the acceptance of the lowest price rise since the freezes of the late 1960s—an average 2.25 per cent. which means lower incomes in terms of purchasing power for many farmers in Germany, Denmark, and Benelux.

Britain too had its victories —there were loud cheers in the Commons on Friday as Mr. John Silkin, the British Minister of Agriculture, announced his success in foiling attempts to break the Milk Marketing Boards' monopoly, getting a three-month extension of the butter subsidy, and a reduction of pig meat import subsidies.

For Europe, as for Britain, it looks good. And it was good. But not quite as good as it looks. Increasing overproduction and mounting surpluses of farm products caused the Commission to take a tough line on prices. It fought hard to keep the average rise down to 2 per cent., even the 2.25 per cent. agreed on was a triumph. But the figure disguises a lot of unpleasant truths and is, in itself, fairly meaningless. To begin with, it was undermined even before being agreed by the continuing instability of European currencies.

All EEC members except Denmark maintain a special "green" currency rate to convert common farm prices into national currency. It is a device to shelter producers from the fluctuations of the foreign exchange markets. Green rate changes lag a long way behind foreign exchange rate movements, the difference in rates being made up from the Community's farm fund which places levies on exports and pays subsidies on imports in weak-currency countries (with over valued green rates), or vice versa in strong currency countries (with undervalued green rates). When a weak currency country devalues its green rate, farmers get a price rise in local currency. The prices package agreed last week includes a 6 per cent. green devaluation in Ireland, 5 per cent in Italy, 3.6 per cent in France, and the remainder of a two-stage green pound devaluation agreed by Britain earlier this year.

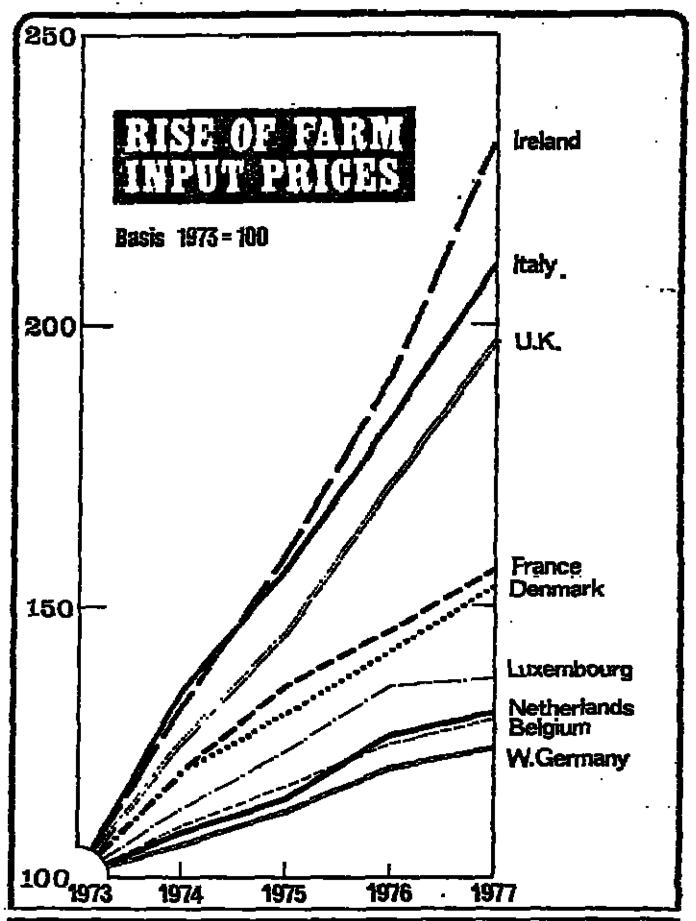
Together with other devaluations agreed in recent months, this means that the average EEC farm price rise is 7.2 per cent, ranging from 1.7 per cent in Germany and Denmark to 14.4 per cent in Italy. Plainly, the green currency system makes nonsense of the "common price" concept and constantly threatens to undermine any prices policy. But while EEC currencies continue to pull away from each other, the chances are slight of its being dismantled.

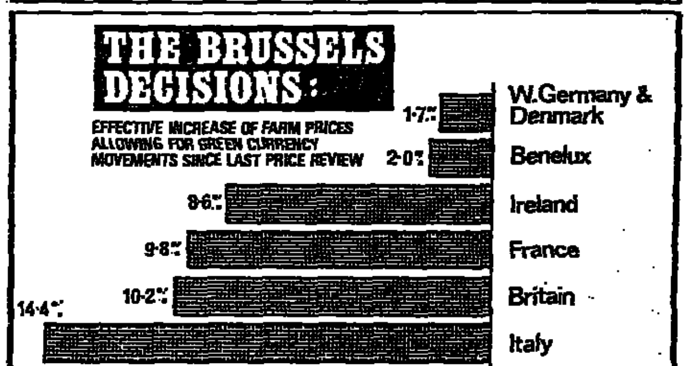
The achievement of the 2.25 per cent average price increase is further reduced by the fact that guaranteed prices for those products prone to big surpluses —milk, sugar and beef—were all raised by 2 per cent or more. With consumption of the first two falling, and of the third stagnating, no price rise is economically justifiable, however heavy the political pressure.

As Mr. Finn Olav Gundelach, the Agriculture Commissioner, said last week, prices alone cannot overcome the problem of surpluses. But at present the Community has no other comparable comprehensive mechanism, and the Commission's attempts to deal with the surpluses one at a time are not having conspicuous success.

The most obvious example is milk. Around 17 per cent. of EEC dairy production goes straight into the intervention stockpiles—the Community's butter surplus, currently around 170,000 tonnes, has risen as high as 400,000 tonnes in the past: its milk powder surplus, now around 780,000 tonnes, has been known to reach 1.28m. tonnes. Germany and Benelux, major dairy producers already facing a real drop of farm incomes, would never have accepted a price freeze here. So along with its proposal for a 2 per cent price increase, the Commission introduced modest proposals to suspend intervention buying of skimmed milk powder during the winter months, and to increase subsidies to those farmers switching out of dairying to beef or other sectors, and to those using milk powder for animal feed.

The subsidies scheme was only slightly pruned by the Council, but the intervention proposals were rejected and the "co-responsibility" levy on milk, introduced last year in an attempt to make farmers share some of the burden of over-production, was cut from 1.5 per cent to 0.5 per cent.





With sugar, of which the Community has a surplus of around 3.3m tonnes, the price rise was pushed up to 2 per cent against the original proposal of 1.16 per cent. The Commission's proposed reduction of the quota eligible for export refunds was halved.

The prices package proposed by the Commission was in every way modest—small price rises, and small reforms. But if even these mere signals in the right direction are so politically disruptive, what hope is there for the more radical measures needed to stand European agriculture on unsubsidised feet?

Compared with workers in other sectors of the Community economy farmers are not doing too badly. Guaranteed prices give them a security many an entrepreneur might envy, and the gap between farm and non-farm incomes is closing steadily. Over the past decade per capita incomes in agriculture have grown faster in real terms than those in the economy as a whole, in the case of all member states except Germany, Belgium, and the Netherlands. Production costs continue to rise, but the growth is slowing, particularly in Germany and Benelux, as the chart shows.

Labour productivity, measured in terms of value added, is increasing at more than 5.5 per cent a year.

The package of aids to Mediterranean producers represents the first major change of policy towards helping the smaller producer and the weaker sector. Its passage through the Council was not easy, and it did not come out unscathed. Several lesser projects were dropped or deferred, the question of how much the Community should contribute for infrastructure measures was set aside until later: and the rate of grant on the bigger structural projects was reduced — though not as drastically as Germany and Britain would have liked.

The main outlines of the package survived. But is it really the historic breakthrough that Mr. Gundelach claims? Commenting on the agreement last week, he insisted that "to have worked up political support for redistribution of funds in a time of economic depression and falling farm incomes in the North is no mean feat." That is undoubtedly true, but what sort of redistribution is it that allocates 1.57bn units of account to the Mediterranean over five years when the Community spends 2.5bn units of account each year on supporting prices in the predominantly northern dairy sector alone; or another 1.7bn a year on supporting cereal, sugar and beef prices—again mainly for the benefit of northern farmers?

Farm price talks broke off in Luxembourg during April when Germany announced that it could not agree to the Community's providing more than 25 per cent. of the money for the Mediterranean measures, and Britain subsequently opted for a 30 per cent. ceiling. The Commission had already revised its proposals, cutting the rate of grant for certain measures in the Italian South to 50 per cent from 65 per cent, and from 50 to 35 per cent in the French Languedoc-Roussillon region.

In retrospect, the British and German move looks more than ever like a bargaining tactic. It was made in the final stages of negotiations, by which time a further change in the Commission's proposals would have required the Council's support—something that France and Italy would obviously have blocked. The last minute British and German opposition against the rate of grant melted away a little too easily to have been convincing.

But this concession does not detract from the more deep seated British and German doubts about the effectiveness of pouring funds into the South, which have been on record for a long time, and which are shared by other northern member states. The package agreed last week sets a precedent, but does not commit the Community to further expenditure at the end of the five-year programme. Further Mediterranean packages are not expected to become a feature of the price review, and if the present one is to lead to a significant redistribution of funds, these doubts will have to be overcome.

The measures proposed for the Mediterranean this year—irrigation in southern Italy, restructuring of vineyards in southern France, marketing aids for olive oil, fruit, and vegetables, the provision of roads, electricity and drinking water in Italy and southern France, support for producer groups—cannot and do not attempt to rectify the imbalances in one step. Possibly because of the Commission's cautious approach, the spectre of Greek, Spanish and Portuguese membership—with large demands for similar measures —did not loom as large in the talks as it might have done. But in view of the struggle to get an agreement this year, the prospect of 12 rather than nine Ministers eventually fighting to protect national interests is an unnerving one.

This year's price talks were constantly disrupted by heated national clashes—the Franco-Italian wine dispute, the German and Benelux demands for higher milk and cereal prices, Belgian demands for special aids, the quarrel over pigmeat subsidies, Britain's Milk Marketing Boards, and others.

There were heated and sarcastic tirades, slanging matches and plenty of table thumping, not to mention the endless and fruitless bickering that stalled progress in Luxembourg.

Time after time, Mr. Silkin emerged from the fray—wilting but defiant—to announce that the latest plot against his Milk Boards was "just not on." M. Pierre Mehaignerie, the French Minister, publicly denounced the Commission's proposals to delay the wine floor price issue as "an insult to France."

M. Antoine Humblet, the Belgian Minister, lost his temper when denied both the higher prices and the special measures that he was seeking for Belgium—and was equally angrily put in his place. Sig. Giovanni Marcora, the Italian Minister, infuriated everyone late on Thursday night by obstinately blocking the agreement in an attempt to rescue a forestry project from deferment.

They all backed down in the end, one way or another. Even Mr. Silkin, conceding partial defeat on pigmeat, was heard to murmur: "You know me—I'll take what I can, when I can get it."

Italy has always come off rather badly in the past. This time it had the Commission's support, fought as hard as ever, and did better. That opens up fascinating prospects for the day when the South is more strongly represented by an enlargement of the Community. Whether 12 ministers could ever reach total agreement in a prices review already looks doubtful. The ominous words "majority voting" are beginning to float down the corridors, but how the Community can be made to agree to that is a very big question. Whatever the outcome, when the Greeks, Spanish and Portuguese stand behind Italy to press for higher farm incomes in the South, some interesting pyrotechnics may be expected.

MEN AND MATTERS

Amin's towering showpiece

One of the world's more mysterious new buildings, a 15-storey tower faced with brown glass, is being given its final embellishments to the orders of President Idi Amin. It stands in Manhattan, New York, opposite the UN building, and the self-styled "Conqueror of the British Empire" has declared that he will be flying to the US to open it. Ugandan officials in New York had said that he would be arriving this month, to combine the opening of Uganda House with an appearance at the special UN session on disarmament; however, this is likely to be a relative non-event, since Leonid Brezhnev has decided against attending and the US is playing it down. So Amin is now expected to delay what is certain to be a sensational journey—in which he could try to carry out his long-declared threat of landing at Heathrow.

Amin's showpiece is said to have cost at least £5m, a sum which has been derived from Ugandan coffee profits. The building was designed by an American architect, with modifications ordered from Kampala. The two top floors are recessed, reportedly for penthouses.

It may be that Amin's violent quarrels this month with rebellious officers have also forced him to delay the New York trip. An official at the Ugandan mission at the UN nervously refused on the telephone to talk about the visit, or to discuss the glistening new building; he even refused to admit its existence, even though the mission will move into it.

The top-floor penthouse is said to be for Amin personally. From there he will look down upon the UN building itself, not to mention the missions of many other countries. Uganda House waits virtually completed, but Amin's decision to put off his journey will have one advantage: he will run no risk of bumping into his bitter critic, President Kenneth Kaunda of Zambia, who this week starts a tour of the US.

Boots marches on

A year ago this month, the most-publicised accident in the history of North Sea oil took place: a blow-out on the Ekofisk field's Bravo platform was gushing, despite frantic efforts to seal it. "Boots" Hansen, one of the men who finally managed to halt the blow-out, seemed almost to have forgotten the incident when asked about it last weekend in Houston, Texas. But he confidently forecasts that there will be further blow-outs in the North Sea — a thought that should worry the oil companies, because of the huge costs in lost production and equipment.

It may also worry the environmentalists, thinking of oil's effects on wildlife, although Hansen takes a decidedly hard-bitten view of that side of such incidents. "A lot of dumb birds walk into the stuff, but I've not seen many dead fish," he says. "The birds were here before people and I guess they will be around when we leave."

Since the dramas on Bravo platform, Hansen has left the Red Adair Company and formed a rival oilwell fighting concern called Boots and Coots. His partner is "Coots" Matthews, another former Adair veteran. Hansen explains: "We had both worked for Red since 1959, but in January we asked him for a little piece of the action. He got mad and fired us." Boots and Coots drive white Cadillacs and wear white overalls—"we were sick of red." They deny taming wells earns them vast fortunes: "We've not got enough money to burn up a wet mule," says Matthews cryptically.

During the Ekofisk blow-out there was a real risk that electrical sparks would have ignited the oil and gas. What would have happened then? "I'd have died," says Hansen.

"Healey can't have our cake when we've eaten it!"

Firm fixtures

An interesting challenge faces the architect who will design Oldham's new hotel. It will be on the site of the old town hall, of which as much as possible is to be retained. Built with the grandeur of Victorian times, when Oldham's textiles went unchallenged around the world, the town hall has four Ionic columns facing the High Street and a bell tower overhead. Pilasters and decorated stonework adorn the other three sides.

The Oldham council debated 14 diverse possibilities when it moved into a new civic centre and had to decide what to do with the old town hall. Officials finally suggested an hotel—the town's best, at the moment, is called the Belgrade (its owner is a Yugoslav emigré with dreams of home).

Unlike many councils, which have let developers gouge out their town centres without restriction, Oldham stands firm in its brief to interested hoteliers. It says it is "concerned to see development within the existing stone elevations if possible" and adds that the front is to be saved "in any event."

I talked to Oldham estates officer A. E. Harris to learn whether the prospect of inheriting those vast columns was deterring likely developers. "Not a bit," he said cheerfully. "I had someone who was very very interested in here only this morning." Let's hope that whoever puts up the new establishment enters into the real spirit of the project by calling it the Hotel de Ville.

Wisdom teeth

A reader who was recently in Amman tells me that as he was about to set off by taxi late one evening for the port of Aqaba, which he hoped to reach early the following morning, he saw his elderly Arab driver take out his false teeth and put them in the glove compartment of his car. "What's going on?" the reader asked. "Mister," came the reply, "when I drive through the night I might fall asleep and choke on my teeth—and that is very dangerous."

Observer

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FINANCIAL TIMES SURVEY

Monday May 15 1978

Switzerland

Firm economic management has tided the Swiss over recession, their exports have resisted revaluation, but the attendant run into the franc worries them. So do some scandals. Voting patterns could reflect a certain malaise—or contentment with success.

Just a few little worries

By W. L. Luetkens

CLIMB TO the viewing platform of the Monument in the City and for a fee of 20 pence, always provided the weather is good, you will have a fine view of London. Climb to the viewing platform on the tower of the Minster in Berne, and for a fee of almost 30p, always provided the weather is good, you will have a splendid view of the Swiss Alps. In Berne, unlike London, the money is collected at the top: if you run out of breath and you turn back, there will be no charge.

Moral: Switzerland has a lot of splendid scenery (and occasionally dicey weather); Switzerland is expensive; but on the whole you get a lot of value for your money. Maybe, if Swiss restaurants were to reduce their portions to English size, they could bring down their prices a long way towards the English level. Only they are probably not very interested in the suggestion: much value for much money is a tradition, and at times almost an obsession.

You may observe it in the tourist trade, which balances the country's current account in normal years when the merchandise trade account is in deficit. (In 1976, untypically, the trade account was in surplus, but it is moving back again to the habitual deficit). Because they have neither the low prices nor the space to accommodate mass tourists in droves, the Swiss have deliberately kept much of their tourist trade up market: group tourists account for less than 30 per cent. of the business done in the Swiss hotels.

There has been a similar pattern to be observed in manufacturing industry, most clearly in the case of watches. The tendency for Swiss watchmakers has been progressively to abandon the cheap market to Asian and Communist competitors (and in the case of the cheaper electronic watch to the Americans, too). But at the top end, especially where watches begin to turn into jewellery, the Swiss position is unbroken. After a difficult period, which is not entirely over, Swiss watchmakers chalked up a healthy 10 per cent. increase in their exports in 1977.

The fact that Swiss exports, not only of watches, have been rising again since the recession year in 1975 is important. In spite of a steep (though irregular) increase of the exchange rate of the Swiss franc, exports climbed from Sw.Frs.33.4bn. in 1975 to Sw.Frs.37bn. in 1976, and Sw.Frs.42.2bn. (about £12bn. at the present exchange rate) last year. As set out in detail elsewhere in this Survey, the low Swiss inflation rate had much to do with that success, since it partially nullified the effect upon export prices of the exchange movements. Besides, the appreciation of the franc kept down import prices in terms of Swiss currency and the low inflation rate contributed to low rates of interest, another important element in the cost structure of industry.

These are factors that are hard to express in statistical form (especially in Switzerland where statistical information is often incomplete), though the terms of trade (which admittedly tell one little about the position of individual exporters) are revealing as regards the economy as a whole and dealings with the outside world.

Between 1970 and the end of last year, the trade-weighted Swiss exchange rate had risen by almost 70 per cent. But the terms of trade (which take into account actual prices for exports and imports, expressed in Swiss francs) had deteriorated by only 6.2 per cent. in the last quarter of 1977. By their lower inflation rate, and by moving into higher quality sectors, the Swiss had therefore to a considerable extent, reduced the deleterious effects upon their merchandise exports of the appreciation of their money.

ATTITUDES TOWARDS TAX EVASION BY INCOME GROUPS

(Results of a poll in 1973)

	Monthly family Incomes in Swiss francs			
	up to 1,500	1,501-2,500	2,501 3,500	over 3,500
Percentage of respondents judging tax evasion				
—a pecadillo	59	59	50	43
—a real offence	41	41	50	57

As you go up the income scale expressed attitudes turn increasingly against tax evasion.

Source: Almanach der Schweiz.

Nevertheless Swiss exporters have been worried by the more recent decline of the dollar, and it remains to be seen whether the process of compensating for exchange rate movements that has worked so far during this decade can continue indefinitely. It may at any rate be assumed that concern for Swiss exports (visible, in the merchant trade account, and invisible in the tourists sector) played an important part in the measures taken at the end of February to ward off speculative capital inflows into Switzerland.

The reasons for these inflows were, on the one side, high inflation rates and falling exchange rates as well as high taxation rates in many countries; on the Swiss side they were a stable currency, the existence of an efficient system of banks and financial intermediaries and the bankers' practice of secrecy. Over the years it has been eroded slightly where it would protect clients involved in dealings that are criminal in Swiss law (something that tax evasion is not).

But since the beginning of this year, Swiss banks are enjoined not to seek out clients in countries where exchange control would forbid residents from transferring assets to Switzerland; it is another matter if the client turns up in Switzerland under his own steam. In that case, too, the bank is expected to take care not to protect criminals. Nor is it supposed to extend "active" (the word is crucial) help to the flight of capital or tax evasion of foreigners. Among the more obvious tricks, that would prevent the issue of inaccurate statements.

All these are interferences with freedom of business which would probably have been unthinkable but for the fright caused by the movement of the exchange rate. Their effectiveness in any case remains to be tested: the first signs are encouraging, but human ingenuity is just as capable of getting around Swiss restrictions as around British tax law.

It is doubtful whether the Swiss people would be very upset by evasion. Nevertheless the new measures do to some extent come as the climax to a phase in which the banks have been anything but popular. Rather irrationally they were blamed for the excesses of the boom in the 1960s and early 1970s. On top of that a certain isolationism current in Switzerland made many people unhappy about the international ramifications of their financial institutions.

In this charged atmosphere there exploded last year the scandal at the Chiasso branch of the Credit Suisse where some Sw.Frs.2.2bn. of clients' fiduciary funds were improperly directed towards a Liechtenstein holding company, and Sw.Frs.350m. of unregistered guarantees were granted on Italian banks' loans to subsidiaries of that company. It certainly was a blot upon the reputation of the Swiss banking profession. In retrospect the inclination in Zurich is to say that there can be no watertight protection against criminal actions though some lessons have been learned: inspection and checks within the banks have been tightened up and, in particular, extended beyond the mere checking of accounts.

By Swiss standards the extraordinary shareholders meeting at which Credit Suisse gave an account of the affair was a searching occasion: management was questioned more closely than on any previous occasion. But when the annual meeting came around on April 4, more than 99 per cent. of the votes were cast on the side of management.

Shareholders probably had little practical option and preferred not to let off steam needlessly. But they did have to note that their bank had written off Sw.Frs.1.2bn. by drawing upon the so-called silent reserves (accumulated quite legally by undervaluing some assets and overvaluing certain liabilities). Even after that bloodletting the silent reserves are not exhausted.

Chiasso has no doubt encouraged the Social Democratic Party (one of the four Swiss coalition partners) to propose an amendment to the constitution by referendum, which would greatly restrict the freedom of the banks. Among other things, the text proposes an end to bank secrecy where it is abused to cheat the authorities. Swiss authorities are to be given power to assist in the prosecution of currency and tax offences committed abroad. The practice of keeping reserves silent or secret would be abolished.

It is pretty clear that the Swiss will say "no" when the proposal is put to them in a referendum. Nevertheless it is part of the deliberate Swiss way to keep a question of the sort before the public for a long time. The voters may say "no," as they so often do at first. But modified proposals may eventually become common ground.

One such very long Swiss story is about to reach its climax on September 24, when the Swiss people will be asked to accept a new canton, the Northern Jura, into confederation. The Northern Jura, which is French-speaking, has voted to separate from the Allemanic-speaking Berne, and if the vote in September were to go against accepting the new canton (in other words telling it to stay with the Bernese) the whole multilingual edifice of confederation would come under strain. The Bernese themselves have already voted to release the north Jurassiens, so a negative vote in September would reduce the whole idea of popular self-determination to the absurd.

Some extremely shrewd Swiss observers of the scene therefore believe that September 24 will be a testing day of extreme importance for Swiss democracy. Forecasts of the outcome are hard to come by and hard to make. But though there are those who say that the Swiss are obstinate, conservative, and always say "no," there is a wealth of experience to show that they always say "no"—until they say "yes."

SWITZERLAND II

Mixed omens for the economy

THE SWISS franc has almost doubled its external value since 1970 measured by trade weighted index figures. At one time recently the increase was even more than double. It has gone back a little since.

In the same period Swiss exports have increased by nearly 70 per cent., from SwFrs.22.1bn. in 1970 to Sw.Frs.37bn. (about £10.5bn. at the present rate of exchange) last year: no mean testimony to the adaptability of Swiss industry, nor any reason to suppose that profits have been shrinking, but above all the reward for a successful attack upon inflation in the past few years.

After a bad spell in the early 1970s the annual rate by which the cost of living index has been rising has been reduced to something in the region of 1-2 per cent. Even the "bad" period was bad only by Swiss standards. From 1971 to 1975 the average annual rate of increase in Switzerland was 7.7 per cent., compared with an average of the European OECD States of 9.6 per cent.

In Switzerland 1975 was a recession year, and the Swiss with their addiction to conservative economic policies allowed the recession to take its toll. When it was over the inflation rate (as measured by the consumer price index) was down to 1.7 per cent. in 1976 (as against 10.8 per cent. for OECD in Europe), 1.3 per cent. in 1977 (11.3 per cent. OECD Europe), and 1.1 per cent. in the 12 months to end-February 1978 (OECD Europe 9.9 per cent.).

Clearly the rising external value of the Swiss franc contributed greatly to the reduction of the inflation rate, given the high dependence of the Swiss upon imports: last year visible imports came to Sw.Frs.36.9bn. in a GNP of about Sw.Frs.153bn. But there is more to it than that.

A far reaching restructuring of Swiss industry has been set in motion by the recession, which is evident both from a record number of bankruptcies in 1977, and from the reduction of the employed population by some 300,000 since the boom of the early 1970s.

That figure may sound catastrophic, given a total employed population of about 2.5m., but in fact it is not from the Swiss viewpoint. The unemployment rate at present is only 0.4 per cent. — full employment by anyone's standards. The explanation is that the people who have dropped out of employment have also dropped out of the labour market. Two-thirds were foreigners who have returned to their native countries, swelling unemployment ratios in Italy and Spain; one-third were largely women who had only been brought on to the labour market by the exaggerated boom of the preceding period.

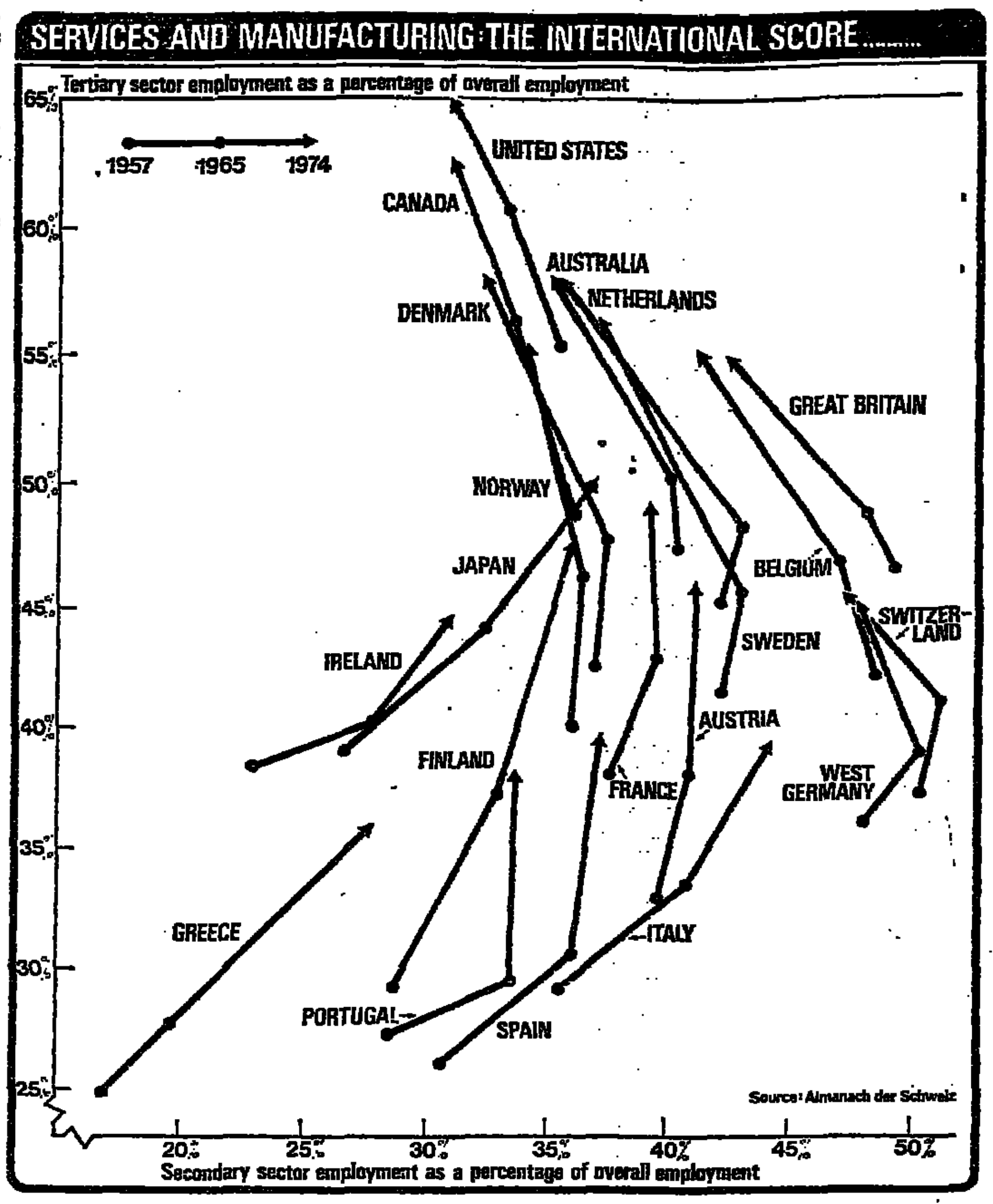
It is of note that even after the departure of 200,000 foreigners, 600,000 of them still have work in Switzerland. Their presence is on the whole considered a structural characteristic of the Swiss economy: in other words in a new recession it will not be so simple to place the brunt of the impact of unemployment upon migrant workers.

The principal restructuring that has occurred is a steep reduction of the role of the construction industry, which at one time accounted for around a quarter of GNP. Last year, even though the worst of the recession in construction was over, the industry's share in GNP was down to about one-sixth.

Between 50,000 and 80,000 empty flats remain as a monument to the excesses of the boom — mainly luxury or near-luxury apartments for rent or sale. Interestingly enough, the construction industry has found some compensation for its loss of this business by building family houses for which demand in the suburbs is increasing: it seems almost symbolic of the return to the principles of traditional good housekeeping which has marked popular attitudes during the post-boom period.

Shifts of the employed population also shed some light on the process of restructuring that has been going on. The total figure of those in dependent employment fell by 3.9 per cent. in 1976, but remained stable last year. However, there was an 8.6 per cent. decline in the construction industry in 1976, followed by another of 1.6 per cent. in 1977. Manufacturing industry declined by 6.8 per cent. and 0.8 per cent. in the two successive years, while the service sector, after a fall of 2.1 per cent. in 1976, took on new staff in 1977 to the extent of 0.9 per cent.

Maybe it is only a coincidence but in Switzerland (as in West Germany, another country that has lived with revaluation), the share of service industries in total employment is low—some 45 per cent. — and that is despite the role of tourism and finance in Switzerland. In both countries the manufacturing sector is relatively strong, accounting for almost 50 per cent. of the gainfully employed in Switzerland.



In spite of the role of tourism and financial institutions, service sector employment is low in Switzerland (as in West Germany which has also managed to cope with a revaluing currency), and the proportion of those employed in manufacturing is high.

But developments within individual industries are more significant than general figures. The watch industry has made considerable progress in coping with its problems. Watches are a traditional Swiss export, but in recent years the industry has run into severe problems both because of the high level of Swiss wages compared with those in the new competitor countries, such as Japan and the Soviet Union, and because of the inroads of electronic watches into the traditional field of mechanical watches that were the strength of the Swiss.

A rigorous concentration of the industry, with a severe reduction of employment, together with a deliberate movement away from cheap to more expensive movements, has taken place. Last year the Swiss increased their exports of electronic and mechanical watches by about 6 per cent. Moreover the industry is transferring the production of some components to low wage countries in the ASEAN area of Asia.

A similar movement up-market has taken place in the textile industry, which, like watches, has laboured heavily under world recession and competition from cheaper producers. That appears to be the conclusion from the increase last year of both exports and imports of textiles and clothing, and from the fact that the textile industry, after a phase of rigorously running down mainly foreign labour, has again taken on new hands.

That roughly is the picture as it looked before the last upsurge of the franc late in 1977 and during this year. But when the dollar dipped below Sw.Frs.1.80 everyone became alarmed. It really is too early to say whether these events portend a new phase. Taken over a period of years, the exchange rate has not moved steadily, but in waves; it is perfectly possible that at present the franc is at the crest of such a wave and that a reaction may set in. What is important from the point of view of the Swiss is that the D-mark is also close to a similar crest. The Germans are both the main customers and suppliers of the Swiss and their main competitors.

BASIC STATISTICS

Area	15,418 sq. miles
Population (1976)	6.35m.
GNP (1976)	Sw.Frs.146bn.
Per capita	Sw.Frs.22,976
Trade (1977):	
Imports	Sw.Frs.42.9bn.
Exports	Sw.Frs.53.7bn.
Imports from U.K.	£1.4bn.
Exports to U.K.	£1.3bn.
Currency: franc £1=Sw.Frs.3.59	

The fact remains that at the end of February the Swiss National Bank pulled the alarm cord. Arguing that the franc had been forced up not by normal commercial considerations but by inflows of money seeking a haven from the depreciation of other currencies, the bank imposed very tight restrictions indeed on the traditional freedom of the Swiss banks. The sale of Swiss securities to non-residents was banned; punitive commission rates, the so-called "negative interest," of 10 per cent. a quarter were imposed upon all but the smallest bank deposits of non-residents; forward operations with foreigners calculated to get around that negative interest were forbidden, non-resident investors were limited to a quota of 35 per cent. of the foreign loans floated in Switzerland; and restrictions (which in practice may be psychological because of the difficulties of enforcement) were placed upon the import of bank notes into Switzerland.

Since the Swiss do not publish (or indeed know) figures for capital movements in and out of the country, the efficacy of those measures is hard to gauge. In the banks and in the National Bank it is claimed that they have worked, and the partial retreat of the exchange rate lends credence to the claim. But it is true also that the exchange rate (as well as the fate of the Swiss economy in general) is dependent, too, upon events outside the country. Only time can show whether the long-term trend of the franc will continue to be as manageable from the point of view of Swiss exporters as it has proved since the beginning of the decade.

Economists see a very promising sign in the development of the trade account which, typically, is in deficit (allowing invisibles to produce a current account surplus), but which went into surplus in 1976. Last year it was back in a small deficit of Sw.Frs. 900m., not least as the result of a spurt of demand for machinery and other capital goods. That spurt reflected a restoration of business confidence which, if sustained, would continue to boost imports and make a contribution towards tethering the franc.

From that point of view the recent attack on the dollar has come at a most inconvenient time for the Swiss: if it were to undermine business confidence seriously, it could start a vicious circle similar to that of 1976. As it is, the business outlook is somewhat unstable again: following upon real growth of GNP by about 4 per cent., the forecasters are now talking of something in excess of 2 per cent. only this year.

Given the popular mood in favour of economy and the generally non-interventionist economic philosophy, that is not a prospect sufficient to arouse calls for reflation. True, the federal Economics Department is working on a programme intended to give new impulses to industry, but the proposed amount of Sw.Frs.70m. over four years is tiny. The objective is not economic expansion, but to encourage innovation, for instance in the field of applied electronics, the conservation of energy, and international marketing by the tourist industry.

In this context it should be noted that even without that sort of Government programme, the Swiss are among the world leaders in industrial innovation. According to OECD figures their expenditure on research and development in industry is the equivalent to 2.17 per cent. of GNP, a quota surpassed only by the 2.35 per cent. of the U.S.

That should help to create a sound basis for a continued role for the Swiss in the van of world exports, in spite of the strength of the franc. In the meantime the franc itself is of some assistance to exporters: because the inflation rate is low, so are interest charges. Where else can exporters get long-term credit from their banks for 4½ per cent., or borrow on the bond market for 3½ per cent. or less?

W. L. Luetkens

FOREIGN TRADE AND BALANCE OF PAYMENTS

Sw. Frs. m.

	1973	1974	1975	1976	1977
Exports	29.950	35,350	33,430	37,040	42,160
Imports	36,590	42,930	34,270	36,870	43,030
Trade Balance	−6.640	−7,580	−840	+170	−870
Tourism Balance	2,640	2,530	2,510	2,460	
Capital Revenue	4.740	5,920	5,150	5,330	
Other Services	150	−360	−140	780	
Balance of Payments	890	510	6,680	8,740	

The dealing room of the Union Bank of Switzerland.

هكذا ملتقى الأجيال

The magic formula of politics

PORTRAITS of all the ministers who have served in the Governments of the Swiss Federation since its inception in its present form in 1848 can be (and have been) fitted comfortably upon one poster. Altogether it carries 88 faces, all of men.

The number of ministries is small (seven), as befits a country that is conservative and suspicious of State power, especially when it is exercised from the centre in Berne rather than in the 22 individual cantons, or in the communes. But small though the cabinets (known as Federal Councils) have been, the average rate of one new minister for every 1 year 174 days bespeaks a quite unusual degree of stability.

If you delve back into history, *that* aspect of Swiss political life becomes even more striking. For the first four decades, the Federation was governed by the Radical Party; it was then joined in coalition by the precursor of the present Christian People's Party; in 1929 the precursor of the present Swiss People's Party signed on; and in 1959 the Social Democratic Party entered the magic circle, which has remained the same ever since.

Moreover, since 1959 the magic formula, as it has been called, is 2:2:2:1, meaning that each party with the exception of the Swiss People's Party has two ministers in the cabinet, whereas the latter has only one. One member acts as President of Switzerland, which brings kudos, but no extra power. The formula has remained unchanged just as the relative strengths of the four coalition parties have hardly varied in the National Assembly (lower house of parliament) since before the second world war. Other parties have never risen above the status of splinter groups.

In the last election, held in 1975, the Social Democrats made a little spurt, displacing the Radicals as the largest party. For a while they seemed to be holding out for a third minister, but nobody took it very seriously, and for good reason. The magic formula does say something about Switzerland that nobody will seriously challenge: that it is a place where even the Social Democrats are largely bourgeois: where bourgeois attitudes prevail: and where change comes about from within the system, rather than from without.

To those accustomed to more volatile systems and societies the whole thing may sound dull, even fossilised. But it is a system that has contrived to steer Switzerland through the warlike, economic and technological viscissitudes of the century.

The four Government parties fit fairly closely into accepted patterns of Continental politics. The Radicals, descended from anti-clerical mid-19th century liberals, now are essentially conservative, and consider themselves the pillar of the State. They find much of their support among professional people and the self-employed.

Officials

The Social Democrats, very much like the French Socialists in the past, are a party of working-class people and of small officials. The Christian People's Party is a party of the Catholics, regardless of social position; it has an important left wing (though there is nothing radical about it). Finally the Swiss People's Party is an agrarian party of an arch-conservative peasantry.

But what is more important than the social colouring of their voters is the habit of the parties to nominate parliamentary candidates from among university graduates and the self-employed. Only 28 per cent. of those returned to the National Council in 1975 were wage earners. The figure is taken from Almanach der Schweiz*, a hoard of information about the country published by a group of Zurich sociologists.

In their commentary, they describe the system as elitist. And indeed there is evidence that could mean that the Swiss political system, arguably the most democratic in the world because of the great prevalence of referenda, has lost its hold over the population. More than 45 per cent. of all electors abstained from the polls in 1975, and among working-class voters the share is likely to have been greater. If you talk to journalists or politically active people they may blame those abstentions upon alienation; but there are others, including for insance economists, who may explain them rather as a sympton of contentment. Given an unemployment quota of 0.4 per cent., and living standards as high as any in the world, that may well be the case.

One may read some such interpretation into the figures for participation in referenda. In the present decade it has exceeded 50 per cent. on four occasions only, and three of those were occasions when every voter must have felt his own immediate interests to be at stake. One of those four votes at last gave women the right to vote in federal elections (though to this day not in the elections of all the cantons): and two were part of the long campaign to reduce by law the number of foreign workers allowed into the country.

But where the issues are less clear cut, or seemingly clear cut, participation has often dropped below 40 per cent., and at times below 30 per cent. There is good reason to suppose that many of the abstainers are either puzzled or even bored. Given the fact that on four Sundays a year they will be asked to vote in federal referendums, plus anything between two and five more on cantonal and communal issues, that need not surprise anyone.

Later this month five questions will be put to the electors: are they willing to sanction a small reduction (already carried out) of the bread subsidy (in a country where people supposedly spend more on cake and buns than on bread)? Are they willing to sanction a cautious legislation of abortion? Are they willing to let the Federal Government extend its subsidies to higher education (which is a cantonal responsibility)? Are they willing to let the Government under certain conditions introduce daylight saving time? And are they in favour of banning pleasure motoring on 12 Sundays a year to save energy and reduce pollution?

It really is a rag bag, and it is hard to argue that all of these are questions that should be submitted to the whole people. The reasons for it happening, none the less, are rooted both in the theory and practice of Swiss direct democracy. In its purest form it is found in the assembly of all men of voting age in some of the rural cantons, to pass laws and elect officers (a lineal descendant of the *thing* of the Germanic tribes); at federal level it persists in the referendum.

Referendums come in three main forms: a group of citizens, such as those who want to ration pleasure motoring, can propose a change to the constitution which must be put to the vote if a petition is signed by 100,000 people. A law that has passed the Parliament can be challenged and put to the vote if 60,000 signatories can be found for a petition. Finally, the authorities may wish to change the constitution, in which case they *must* put the proposal to the people. The *same* applies to emergency legislation which eventually also needs popular approval.

Cumbersome

Beyond a doubt the system is cumbersome. Moreover it encourages government from hand to mouth by emergency legislation: if the people reject a law, Government and Parliament can substitute a revised measure as emergency legislation and have it voted on again. That process can even be repeated. The system also tends to produce a large number of "noes," and to be conservative when the constitution is involved. Constitutional changes require a majority of all voters and a majority vote in a majority of cantons. That enhances the power of the populations of the rural cantons. Incidentally, they are also over represented in the Estates, the upper house of parliament, where each canton has two members (except the three single-member half cantons).

Friends of the system say that it does make the Government react, however slowly, to popular pressures. For instance, legislation was eventually passed to reduce the number of foreign workers allowed into Switzerland, even though the voters turned down more stringent proposals to that effect submitted by the so-called xenophobe parties that grew up in the 1960s.

The topic subsequently lost much of its urgency, in part also as a result of the recession of 1975-76. The number of foreigners has been run down by both law and circumstance to about 1m. (of whom roughly 400,000 are the dependants of the 600,000 migrant workers), and as a result the xenophobe parties have lost much of their appeal.

Advocates of the system also point out that the Swiss have shown enough responsibility at times to vote themselves higher taxes (though last year they threw out both a proposed 10 per cent. value added tax and proposals to increase the incidence of income taxes at the top of the income scale). Voters also have been ready to reduce their own power by doubling the number of signatures required to set the referendum machine in motion. (The figures of 100,000 and 60,000 referred to above have been in force from this year only.) That is a reform calculated to reduce both the cumbersomeness and the nuisance value of the system.

Given so elaborate a machinery for establishing what people want, it is perhaps surprising that Switzerland, like some of its neighbours, has had instances, however tame, of extra-constitutional opposition. Sites proposed for new atomic power stations have been briefly occupied by environmentalist groups. But that sort of thing in Switzerland, unlike neighbouring Germany, has remained largely episodic.

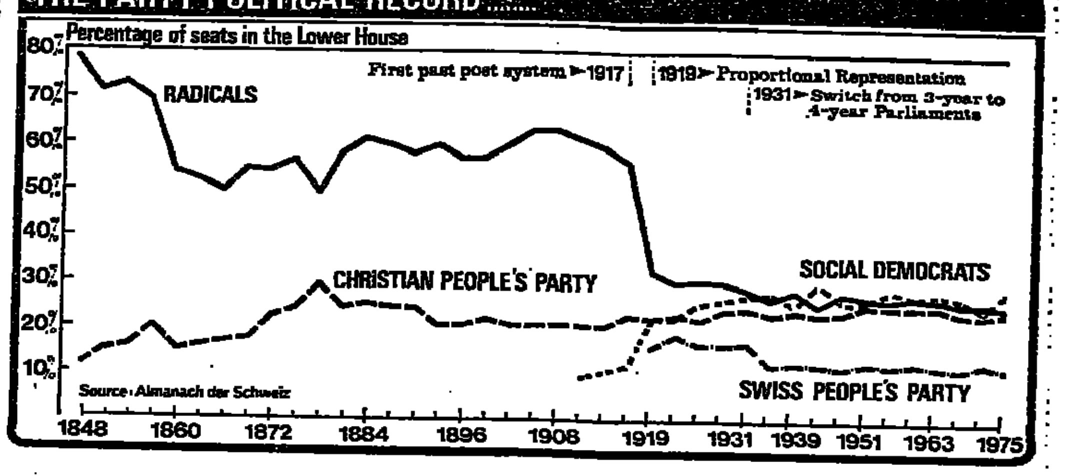
Important

In the end the nuclear issue will have to be fought out by referendum. Nobody can deny that it is sufficiently important for that route to be chosen: whether one believes the issue suitable for it is very much a matter of judgment. In any case, the case does show how closely circumscribed is the supposed elitism of Swiss democracy. In the end neither the rulers nor the pressure group will have the final say.

**Almanach der Schweiz, Sociological Institute of Zurich University. Peter Lang. Bern-Frankfurt-Las Vegas, 1978.*

W.L.L.

THE PARTY POLITICAL RECORD



"Better active than radioactive" reads the placards in this demonstration held earlier this year to protest against the nuclear power plant to be opened in the autumn at Goesgen.

The capital market

THE SWISS capital market was shaken to it foundations at the end of February with the re-introduction of a ban on non-resident buying. The soaring value of the Swiss franc had proved too much for the existing restrictions on foreign funds entering the country, while a tightening-up a week earlier of regulations governing Swiss franc deposits could have led to a move of non-resident money into securities. So much against its will the National Bank brought in a ban on the sale of Swiss domestic securities to foreigners like the one in force in 1972-74 but rather tougher.

The effect was dramatic. On February 28 share prices fell in most cases by between 5 and 10 per cent., with a generally smaller though still notable fall in bond quotations. The stock market as a whole saw the sharpest decline of values since the oil crisis.

Since then Switzerland has learned to live with the ban. There is in any case a great deal of liquidity about—particularly among the institutional investors who set the tone for the Swiss market—and non-residents are allowed to subscribe 35 per cent. of new issues made by foreign borrowers and permitted such other "privilges" as drawing rights for capital increases in proportion to existing shareholdings or the purchase of units of those Swiss investment funds with at least 80 per cent. of their assets abroad. Moreover, the 35 per cent. limit will not be imposed on non-resident purchases of Swiss franc bonds newly issued by international development banks.

Even if the markets have settled down after the blow, a good deal of ground has been lost. At the start of this month the Swiss Bank Corporation share index was running at only 259.9 points compared with a pre-ban peak of 342 and in the first quarter turnover on the Zurich Stock Exchange was down by nearly 5 per cent. Bond market borrowers saw the end of a long period of ever-cheaper issues in the primary market, while the total exclusion of non-residents from secondary business led to a marked drop of quotations.

Trading in progress on the Basle stock exchange.

At the same time the check to the upswing in the exchange rate and the recent recovery of the New York stocks made the Swiss securities, never noted for their high yields (barely more than 3 per cent. on shares), less attractive. Even foreigners, who might have been expected to hang on to Swiss shares purchased before the ban, started last month to sell in order to get into U.S. holdings.

Swiss capital market transactions remain very big business however. In Zurich and Basle alone, first quarter turnover totalled Sw.Frs.35bn. Apart from a large volume of domestic security business, some 153 foreign shares and 390 bonds were listed in Zurich at the end of 1977; in Basle the corresponding figures were 151 and 371. The banks, which double up as stock brokers, are heavily engaged—and their first-quarter figures are reflecting the effect of the non-resident ban on the market.

It seems likely that after the dust has settled a little even more foreign companies will introduce their stock to Switzerland. Last year nine U.S. companies, four German, one Canadian and one Japanese came to Zurich with their shares.

It is not yet clear what direction share prices will take. Institutional investors, seeing themselves faced by what is generally considered an "investment emergency," will have to buy stocks to some extent at least — and yields, while still low, are higher than they have been. A new strengthening of the exchange rate would also promote demand. Swiss companies are perhaps over-optimistic about their changes for the current rent financial year, but 1977 turned out pretty well and many companies will want to keep to their tradition of stable dividends.

On the bond market, where domestic issues are meeting with success at 3¼ per cent. and foreign bonds in Swiss-franc denominations at around 4 per cent., money will doubtless remain cheap for some time to come. There is still too little paper reaching a hungry market—even with most of the non-resident buyers gone. With a domestic inflation rate of little more than 1 per cent. even low coupons provide an excellent return.

Switzerland's 119 investment funds saw a fall in their total assets in 1977 to slightly below Sw.Frs.14bn., primarily as a result of the appreciation of the Swiss franc. There has been a downward trend in dividends per unit for financial years ending between last autumn and this spring, also because of the monetary situation. The investment fund scene is generally a healthy one, though, with a rise in the overall number of units issued following the 1976 decline. The improvement on the New York Stock Exchange will also be welcomed by a good many fund administrators, assuming that it lasts long enough to do any real good. Furthermore, the 77 Swiss investment funds part or all of whose portfolios consist of foreign securities or real estate may prove a magnet for non-resident investors under the 35 per cent. ruling insofar as 80 per cent. and over of their assets are outside Switzerland.

All in all, investment opportunities in Switzerland are limited and are likely to stay so. Non-residents are allowed in only under exception rules like those already cited, while residents are unwilling at present yields to engage too heavily in shares or secondary market bonds—inasmuch as these are there for the buying. The new issues selection is on the thin side, with no prospects of a marked rise in credit requirements in the near future, while the actual net call on the market is reduced substantially by large-scale, indeed unprecedented, premature redemptions of bonds and privately placed notes.

Apart from a certain rise in some rather less orthodox investments, such as the increased foreign interest in Swiss life insurances, the "investment emergency" looks like continuing for some time. Major investors such as the insurers themselves—Swiss premium income totalled Sw.Frs.17.7bn. in 1976—or the important corporate pension funds, not to forget the banks, will remain hard put to know where best to place their money.

Stabilisation

Much still depends on what happens to the franc. A longer-term stabilisation of the exchange rate could tempt new foreign borrowers on to the bond market to obtain cheap money with a reduced currency risk; an actual and lasting fall in the rate would probably put the brake on the massive non-resident borrowers' pre-maturity redemptions. A new upswing, on the other hand, would lead to repatriation of Swiss money out of weakening currencies abroad, together with a foreign attempt to get into Swiss-franc securities wherever possible. The capital market, still nervous after the ups and downs of the past months, is waiting to see.

John Wicks
Zurich Correspondent

The national finances

ALTHOUGH Switzerland is the most prosperous country in Europe, its Government has been running at a loss for years. Since 1971 the Confederation has been regularly spending more than it has earned, its financial account deficit having reached an annual Sw.Frs.1.57bn. in 1976 and Sw.Frs.1.46bn. last year despite drastic savings measures and a noticeable increase in taxation. There is a danger that the shortfall could reach Sw.Frs.2.1bn. this year and Sw.Frs.2.7bn. by 1981, in the absence of further steps to improve the central administration's finances.

Nor are things much healthier for the cantons. For years now most of these regional governments have been spending more than they get from income tax, federal contributions and other sources. Further deficit spending is now problematical, because of public sentiment against "unnecessary" expenditure which could force up taxes and because the national authorities in Berne have reduced the sum which they pass on to the cantons as contributions.

On the outgoing side of the federal accounts everything has been done to cut back spending as far as possible—farther than possible, many government departments feel. The Confederation imposed a public obligation on itself to save all it could "to reduce noticeably" the rate of increase in public expenditure—it managed to lop Sw.Frs.300m. off the originally anticipated 1977 deficit in fact—and the new economic control clause in the Constitution, recently accepted by the electorate, lays down in so many words the duty of national, regional and local authorities to adjust their budgets to current economic requirements.

There are limits to government thrift however. Most Federal expenditure is now running at something very close to the minimum as dictated by the wage bill and by constitutional and legal commitments to the public. A lot of money had to be spent on work creation programmes as a result of the 1975-76 recession and a good deal is still spoken for to promote business activity and obviate the loss of further workplaces. The country is coming to expect rather more in disbursements by the powers-that-be. Now that the long-drawn-out Swiss boom has come to an end so have hitherto rigid beliefs in a self-supporting and self-regulating economy.

There are also dangers in a too radical cutback in federal hand-outs. In an interview this month in the Zurich weekly Weltwoche Finance Minister Georges - André Chevallaz pointed out that a new reduction in the Confederations payments to the cantons could bring about an undesirably deflationary policy by the local authorities, leading to decreased investment activity in public works and perhaps education or the necessity for income taxes to be increased. All in all, with the cutting of central Government expenditure to a 1977 level Sw.Frs.2bn. below that planned for 1974, Berne would seem to have not much room left on this side of the profit-and-loss account.

The great hope of the exchequer now lies in a boost in fiscal income. Last year the Confederation received taxes and Customs duties of Sw.Frs. 12.62bn., almost 2 per cent. less than a year before. This decline was due primarily to a drop in federal income tax (the so-called "Defence Tax") and in withholding tax by a total of Sw.Frs.693m. owing to the sluggish state of the economy.

Some improvement to federal earnings will now be coming from a number of individual tax increases such as those in stamp duty on capital and stock market transactions, in tobacco tax and in bread cereal duties. A certain relief will simultaneously arise from a cut in bread subsidies — though this is opposed by a pending referendum — and in those on butter, as well as the reduction, effected on January 1 last, of the share of federal income being passed on to the cantons.

But only the introduction of VAT can, in the eyes of the Government, permit a real decrease in the federal deficit by 1981. Mr. Chevellaz suffered a severe setback in his financial plans last June when almost 60 per cent. of the voting electorate rejected a programme to introduce a 10 per cent. VAT. The Government had done all it could to bring the public to swallow this, not least among them savings programmes introduced between 1974 and 1977 which will improve the budget by some Sw.Frs.2.8bn. to 3.8bn. annually in the period 1979-81, but the pill proved too bitter.

After the rejection of the 10 per cent. VAT proposal even the budgetary reform measures passed since then still leave an anticipated Sw.Frs.1.7bn. deficit for 1981.

Next December voters will be presented with another VAT proposal. This foresees a standard rate of only 8 per cent., however, and goes hand in hand with a Sw.Frs.300m. reduction in direct federal tax ("Defence Tax"). These steps, plus the continuation of the country's 35 per cent. withholding tax until after its current expiry date of 1979, would cut the estimated deficit from some Sw.Frs.1.5bn. this year to Sw. Frs.700m. in 1980 (VAT would be introduced on January 1, 1980) and eliminate the deficit altogether by 1981.

Keener

It remains to be seen whether the electorate will be keener on an 8 per cent. VAT than on the original 10 per cent. proposal. Probably more people will be in favour, especially in view of the Government's commitment to reduced expenses and the added attractions of the defence tax proposals. There may not be enough converts to win the day, though, particularly since the necessary change in the constitution calls for a majority of cantons, as well as a majority of individual votes, to be in favour.

Meanwhile the capital market remains an ever-ready source of funds for public authorities. In fact the Confederation has been absent from the bond market since February of last year, when a Sw.Frs.500m. issue flopped through having been offered at an over-optimistically low rate of 3¾ per cent. A federal loan, initially of Sw.Frs. 500m. and subsequently of Sw.Frs.200m., had originally been anticipated for early this year but was withdrawn from the calendar and not listed in that for the second quarter. The Government laid up enough money by February 1977 to make new issues unnecessary—even although a new Federal issue would go at about 3 per cent.

The cantons and cities are also less in evidence as borrowers. Cantonal and communal bond issues totalled Sw.Frs. 1.77bn. in 1975, Sw.Frs.1.33bn. in 1976 and the same amount last year. Money is cheap, however, with coupons typically 3¼ per cent. and the market keen to snap up new issues. Public borrowers have been among those calling in old bonds prematurely to get back in on the ground floor at much lower interest rates.

Whatever the future may bring on the tax front, it may be reckoned certain that public authorities will be watching their financial commitments very closely. The official Commission for Economic Studies believes that in 1978 public building investment will be down by something like 7 per cent. This decline, which follows the conclusion of the earlier work creation programmes, will have its effect on keeping economic growth rates down — but Keynes falls short of being a hero in Switzerland.

J.W.

SWITZERLAND V

Bankers on the defensive

IT HAS been another of those years for the Swiss bankers: like a Schnapps warming the body against the cold winds outside, increased volume of business and improved earnings have offset the bad Press resulting from the more extravagant scandals which rocked this closely-knit community. The shareholders have been placated and the general population reassured.

However trying the circumstances, it would seem that the banking establishment, or in any case the leading lights thereof, are well able to cope even though this may involve dipping into hidden reserves and the offer of substantial help from the authorities. Come the end of the year, the dividends fall into place, in spite of the heavy shunting of funds into a Liechtenstein holding company that took place at the Credit Suisse branch in Chiasso.

The Credit Suisse: hidden reserves remain.

In the wake of the affair Credit Suisse opined that the climate in which banking had to operate was "less satisfactory," but by the end of 1977 this member of Switzerland's "big three" banking league felt sufficiently bouncy to argue that, whatever the attractions of institutional innovations such as improved banking supervision or the publication of consolidated balance sheets, these measures also entailed obvious disadvantages in the form of higher costs and additional red tape which "had to be weighed in the balance."

Credit Suisse also poured gentle scorn on the Social Democrat call for structural changes in the banking system. "Despite this evident attempt to ride a wave of popular sentiment," it editorialised in its monthly bulletin, "the very notion of a rigidly supervised banking system appears suspect in general. For this would enable the Government, which even now wields considerable power, to control the very nerve centres of credit supply and not only to steer the destiny of industry but the livelihood of private citizens as well."

In the same vein, Credit Suisse wrote superciliously of what is called "the long-mooted agreement between the Swiss National Bank and the commercial banks signed in June (1977), under which the banks are pursued (sic) to observe due care in accepting foreign funds." This, it found, did not go further than binding all banks to observe "those general principles and attitudes which leading institutions, such as Credit Suisse, have always been at pains to apply in their foreign operations." This, coming from a bank whose chief general manager was forced to resign in an unprecedented reshuffle at the top of the pile, is startling to say the least.

It may seem unfair to dwell on the fallout from the incidents at Credit Suisse's Chiasso branch. But these did, after all, involve the misdirection over many years of some Sw.Frs. 2.3bn. in fiduciary funds and landed the bank with doubtful assets to the tune of Sw.Frs.1bn. which it could have well done without. Besides, more than any other episode, Chiasso was responsible for the dark clouds.

Indeed, in the hectic days of last spring, few people took time off to pay much attention to the demise of a small private bank in Geneva, Leclerc and Company, although some are now wondering how many years of mismanagement it took this establishment to rack up a loss of Sw.Frs.400m. and how the Swiss Banking Comission was not a little quicker off the mark. Whatever the answers they are likely to provide cold comfort for Leclerc's clients who now expect to receive less than 10 per cent. on their money.

Mr. Fritz Leutwiler, President of the Swiss National Bank, does not agree that last June's convention "on the observance of care in accepting funds and on the practising of banking secrecy" amounts to little more than an exercise in public relations. The National Bank, he indicated recently, will be intent on not having the agreement—which includes the possibility of fines of up to Sw.Frs. 10m.—softened by way of interpretation. He added that the banks themselves had an interest in seeing to it that the regulations did not remain dead letters. Above them, he reminded his audience, still hangs the Sword of Damocles in the form of more far-reaching political measures.

Notwithstanding the hanging sword, precious little has been done in the past year, or indeed in previous years, effectively to reinforce the supervision of Swiss banking. True, the ridiculously small Federal Banking Commission has been beefed up somewhat, and the authorities have been stressing the need for improved internal controls. But even if, as Mr. Leutwiler points out, a certain restraint is commendable and excessive expansion is often achieved at the expense of quality, the drive to do business and achieve the biggest ever balance sheet is still there.

Switzerland reached international status as a financial centre only after the Second world war. Since then, however, the balance sheet total of all Swiss banks has risen from SwFrs.22bn. to the present-day SwFrs.323bn., and if the fiduciary transactions which do not appear on the balance sheets are included, the grand total is in the region of SwFrs.400bn. At the same time growth in foreign assets has multiplied more than a hundredfold to some SwFrs.146bn. By the end of last year the surplus of foreign assets over liabilities at Swiss banks topped SwFrs.27bn. thus exceeding the amount of foreign exchange reserves at the Swiss National Bank.

More than SwFrs.150bn. of the combined balance sheet total is accounted for by the big three Swiss banks alone. During the past year, the Union Bank of Switzerland regained its claim to the largest balance sheet, having been pipped at the post by the Swiss Bank Corporation in the previous year. At 6.59 per cent., growth at the UBS was clearly ahead of the other two. The year was marked by a continuing large inflow of funds, on the one hand, and a stronger demand for credit due to the upswing in business. A not unhappy combination of circumstances.

David Egli
Geneva Correspondent

Machinery sector hard pressed

ON THE face of it, 1977 should have been a vintage year for Swiss machine manufacturers. Nearly 70 per cent. of their production is sold abroad and the export quota per head of the Swiss population is the highest in the world.

So why is there no rejoicing in the fact that exports of this sector shot ahead by 11.4 per cent. last year in value terms to reach a new record level of Sw.Frs.18.5bn ? And this despite generally sluggish economic recovery and the continued revaluation of the Swiss franc, now in the region of 100 per cent. above its 1971 level.

The previous year's growth in exports, starting from a low, recession-marked base, was a mere 6.9 per cent. in comparison. So the achievement is considerable—a tribute to resourcefulness and a basic indication that the Swiss, despite difficulties, have managed to maintain the high level of workmanship and technical ingenuity for which they have an enviable reputation.

But unfortunately this is not enough. The export figures do not tell the story behind the scene, which is one of flagging orders, unusued capacity, short time, much reduced profits and a reluctance to embark in necessary capital investment. To this depressing list, it might be added that prospects in the essential component, research and development, are not too bright either because of the generally tight situation.

The shakedown in the last few years in this sector has been considerable. Companies have honed their profits to the bone, and, indeed, frequently show losses in the continuing effort to maintain markets and sales. The fat of the boom years has been worked out in the steam bath of competition on world markets and, try as they might, the industries involved are finding that there is a limit to restructuring, rationalisation and other cost-cutting elements.

Performance-mindedness, with high-quality equipment and prompt and efficient after-sales service, provide the key to the considerable development of the Swiss engineering industry over the years. On an overall level, Switzerland's contribution to world exports in this sector account for 1.52 per cent., no mean performance for such a small country. But for some branches, the figures are much more impressive. Swiss textile machinery exports rank second, behind West Germany and ahead of Britain. Machine tools are in fifth place in world tables, and leading positions are held in various other groups ranging from printing machinery to sewing equipment and analytical balances.

Electrical equipment, textile machines and machine tools account for a little less than half of total production. The other half includes such things as printing and paper converting machines, turbines, diesel engines, compressors and pumps, food processing and wrapping machines, optical, medical and scientific instruments and rolling stock.

Measured by the ratings of the machinery supplied, the Swiss electrical engineering branch enjoys a large slice of exports from all European countries—on the basis of a recent tally, the market shares amounted to 13.6 per cent. for hydro-turbines, 26.5 per cent. for steam turbines and 22.8 per cent. in turbo-generators.

Exporter

The country is, worldwide, the tenth biggest exporter of electrical machinery and installations and does even better—eighth after the USSR and before Sweden—in mechanical engineering. Spokesmen for the industry are happy to point out, for instance, that landlocked Switzerland holds a leading position in the production of marine diesel engines. The power units supplied by one Swiss company and its licensees make up a good third of the total horsepower rating installed in all ocean-going vessels with a capacity above 2,000 tons. And many other striking examples of success could be given, such as that of a Swiss firm specialised in textile electronics which alone holds more than 80 per cent. of the world market with its yarn cleaning and testing equipment.

But while some companies continue to be spectacularly successful, the outlook for the branch as a whole is gloomy and developments in the various subsectors are likely to be uneven at best. The underlying economic and monetary factors are unfavourable. Any gains in competitivity which Swiss manufacturers accumulated through the very low prevailing domestic inflation rate and moderation in wage demands have been wiped out by the new upward movement of the franc, particularly alarming when expressed against D-marks, since much of the competition in third markets comes from a similarly patterned industry across the Rhine. Overcapacity of rival machinery manufacturers in other countries will also force the pace with respect to pricing in a market where developing countries and the Comecon bloc are experiencing mounting payments difficulties.

But chances of success differ from sector to sector. The textile machinery sector may be headed for an upturn, while the heavy machine construction industry will have to reckon with a decline in orders as a result of a worldwide reappraisal of nuclear power plant construction.

Characteristically the relatively long lead time in the engineering industry will mean that the economic influences of previous years will have their impact during the current period. And the starting point is far from favourable. While imports of machinery into Switzerland have been increasing faster than exports because of price considerations, orders coming in have tended to stagnate, particularly in the last quarter of 1977.

In that period, the industry booked orders for some SwFrs. 3.5bn. The total book order value, based on information provided by some 200 companies amounted at the end of the year to some SwFrs.12.6bn. a small reduction over the third quarter figure but still about 3.6 per cent. above the 1966 year-end result. At the same time, the level of work in hand declined to some 7.2 months on average, from 7.5 months at the end of September and about eight months at the end of 1975. The average, while concealing wide differences from one sector to another (ranging from two to 12 months) is, nevertheless indicative of an extremely tight situation and one which holds little promise for rapid improvement.

D.E.

A Swiss view of the Chocolate Soldier

IS SWITZERLAND reactionary, militaristic, neutral? Was George Bernard Shaw right when he had a Swiss soldier sneered at as the Chocolate Soldier, admit in "Arms and the Man" that a shopkeeper's mind was the national character? Is the country governable and does it suffer from political resignation?

Questions like these are today the subject of much discussion in Switzerland itself, where there has been a considerable amount of self-criticism in recent years. Traditional values and attitudes are being reviewed and the country's view of itself is going through a change.

"In the 19th century we were a revolutionary nation—to-day we are one of the most conservative in the world," Professor Max Imboden wrote in his "Swiss Malaise," a key work in the revision of Switzerland's image for home consumption. While he saw the politicians and the civil servants as more conformist than the people at large, Imboden pointed out that they, too, were loyal to traditions at odds with modern realities. It was often politically impossible to realise practical or necessary measures, he claimed, and expert knowledge lacked implementing power.

In fact, there is widespread self-satisfaction in Switzerland. This results primarily from the belief—which was long shared by foreign countries—that the land is a model democracy. The administration and the public services generally function well. The electorate votes for men and women that it knows. There is a political, legal and administrative culture which has long remained intact. The majority is afraid of change, which is called for by a not very influential minority led by left-wing intellectuals. The mediocre is more popular than the outstanding, the well-known is preferred to the uncertain. The Swiss loves order—his own order.

But this long-standing state is starting to change in the face of contemporary reality and its new needs and ideas.

As Switzerland has been spared from the world wars, there has been little revision of the popular view of State and society since 1933 and perhaps even since 1918. Although legislation has gradually taken into account the requirements of modern life, particularly in the social, technological and economic sectors, the political structures have survived despite an enormous alteration in the population structure. Keeping out of the wars has meant an absence of catastrophes such as would have shaken up the country at its foundations—Switzerland has remained "intact." But it is a ticklish problem to exist intact in an environment of calamity. Writing about Switzerland, the French sociologiest Andre Siegfried applied to it the La Rochefoucault maxim: "It is a great folly to want to be good on your own."

Obligatory

There is no state without soldiers. Military service in Switzerland is obligatory and based on a relatively short initial training period followed by a series of militia repetition courses. Every year young men refuse to serve on conscientious grounds or in view of their political convictions, their refusal earning them prison sentences. The Swiss recently rejected a referendum proposal to introduce civilian service as an alternative for conscientious objectors; the slogan "The people is the Army" belongs to the most durable elements of a traditionalism which sees the military in the light of national unity, national honour and a will to defend the country. Today, at a time of high-technology weaponry, it is a difficult task to give a militia army sufficient training. Not only questions related to civilian alternative service and the army's disciplinary rights, but also doubts as to whether a small and isolated country can defend itself effectively against a powerful adversary, have led to discussions of a frequently fervent nature.

The perpetual neutrality of Switzerland is a means of retaining its independence. While this principle of foreign policy is not disputed, its interpretation and applications are. Many Swiss conceive of neutrality as meaning the country's keeping aloof from international events, a fact mirrored by Switzerland's non-membership of the United Nations. Sweden and Austria are, without harm to their neutrality, much more active in their foreign policy than Switzerland, whose distrustful caution has led to its political isolation in the world.

The Government is trying to give new contours to its foreign policy by greater participation in international affairs: it advocates UNO entry but fears this could be rejected in a referendum. For some time now, however, Switzerland has built up its co-operation in the major tasks of the 20th century. Personally, I see the collaboration of my country in international co-operation and peace-keeping efforts as a justification of its neutrality. Conferences of the UNESCO, the World Health Organisation, the Food and Agricultural Organisation of the UNO and the Council of Europe in Strasbourg—some of the bodies to which Switzerland belongs—show that its representatives play a useful part with competence, impartiality and goodwill.

Inactivity in domestic policy and isolationism in foreign policy contrast strongly with the lively activity shown in economic and social policy. In fact, business interests play neither a greater nor a smaller role in Swiss politics than in those of other nations, although it may sometimes seem that they overshadow everything else and that the "shopkeeper's mind" means more to the Swiss than his ideals, his culture, his universities or the like. This is because most politicians are representatives of business or other interests and have not much time or inclination for anything else.

Switzerland is a naturally poor country which has become prosperous thanks to the diligence, the ability and the business-mindedness of its inhabitants. But here, too, the era of the economic miracle is past. The country has managed almost to abolish inflation and unemployment, though at the cost of a very high exchange rate which has particularly affected the export industry. The purchasing power of the Swiss franc and the stability of prices are, however, protection for employees, consumers, savers and pensioners. Bit by bit, the economic structure is altering to turn Switzerland into a service-sector country. Already, fewer employees are needed for industrial and agricultural production than for the service trades. This development will probably have its effects in the more distant future.

In contrast to parlimentary democracies, the referendum is more important in dealing with political proposals than the general elections. Since the Parliamentary vote itself is based on proportional representation, no political group is able to achieve the majority and all major parties are represented in the Government. The decisive political "match" is that between Government and Parliament on one side and the electorate on the other. The people can call for a referendum on a law already approved by Parliament and can take the initiative in opposing a new clause of the constitution. For actual changes in the constitution and for important treaties of State the referendum is obligatory.

Approved

No limitation of popular rights is possible, since this, too, would have to be approved by the electorate. The Swiss form of "direct democracy" is very cumbersome; in working out new laws, Government and Parliament always have to bear in mind that these might be put to a referendum vote. Furthermore, referenda are not very often an instrument of progress in that people are reluctant to grant the State new duties and new expenditure. But participation in referendum votes is generally small; only problems with an emotional public appeal bring the electors to the polls en masse. Strangely enough, the extension of popular rights has not hindered the spreading belief that the powers-that-be "only do what they want, anyway." It is, indeed, this conviction that often leads to very poor participation in referenda.

Swiss democracy is, in my opinion, most alive at communal and cantonal level. The citizen knows his way about much better in local affairs and has a closer relationship to his cantons than to a Federal State, which he assumes is run by a bureaucracy and by powerful pressure groups. However, as much as the Swiss want to retain federalism, there is a growing number of tasks and services which can only be taken over by the Confederation.

It is difficult in our country to define the exact boundaries between individuals, society, the ecenomy and the State. Requirements which necessitate new services and new intervention from the State are more decisive than firm constitutional and legal standards. A free economy—though less free in practice than in theory—exists side by side with a growing Welfare State.

In the 19th century, from which the organisation of the Swiss State originates, there was the concept of a free and democratic federal state of Switzerland. To-day, it is hard to recognise fully whether this concept is still alive or whether a new one will arise from the change of circumstances. It seems to me that things are developing along the lines of an—albeit more conservative—approximation of Scandinavian models. I cannot see farther into the future than this, at least not with mortal eyes.

Prof. Jean R. de Salis

Watchmaking industry ticks over

IN THE EARLY months of 1977 production of Swiss watches leaped ahead by some 10 per cent. and half of this was attributable to orders for electronic watches. It seemed that the manufacturers had made up for their slowness in going into quartz watches, had fully mastered the technology and were producing a quality product which, however different in fundamentals from mechanical watches, was still in keeping with Switzerland's enviable tradition of craftsmanship.

But the jubilation did not last long. The upturn in business which had started in November, 1976, continued until the summer holidays. It was a reflection of a gradual improvement in the economies of OECD countries, and the improved competitive position of Swiss industry as a result of very low domestic inflation rates. The relatively slow appreciation of the Swiss franc against other currencies, while it weighed on prices and frequently resulted in sharply reduced profit margins, was not sufficient to dampen the market altogether. And as consumer purchases picked up, the movement snowballed with retailers and importers replenishing inventories which they had run down in the previous period.

Also, it was noted, exports of movements and components were tending to rise faster than those of watches—a trend with a potentially harmful impact on employment in an industry which had seen its labour force decline by 27 per cent. (21,000 jobs) since 1974.

But the improved performance, permitting rationalised production, could have been sustained had it not been for the foreign exchange markets. When the franc began to move up again with a vengence in the second part of the year, watch exports stagnated. By December the franc was worth twice as much in dollar terms as it was in 1971. Order volume shrank and "one-shot" operations tended to replace the high volume production planning of the first six months. Nevertheless, all told, last year Switzerland managed to export nearly 66m. units, representing a volume increase of 6.2 per cent. over the previous year, while in terms of value exports progressed by 9.6 per cent.

The major clients were still Hong Kong, and the U.S., together accounting for nearly 38 per cent. of the total number of units sold. West Germany came in a rather distant third, while a little lower down the list Saudi Arabia and the United Arab Emirates found themselves touching elbows with traditional European clients.

The growth markets for Swiss watches, considered both in terms of unit sales and overall value, are Hong Kong and Singapore in the Far East and the Middle-Eastern petroleum exporting countries. The U.S., though still Switzerland's main market in value terms, has been stagnating. The percentage of watches exported to the U.S. has been more or less stable in value terms for the past three years, and in terms of units sold has declined from an 18.24 per cent. slice of overall sales in 1975 to 17.68 per cent. last year. West Germany, another traditional market, saw a sharp slump in sales in 1976, but made a strong recovery last year.

The Swiss watchmaking industry has responded to the hard times of recent years with a considerable effort to restructure a very fragmented production depending on a large number of small producers. The investment and the effort to move into electronic timekeeping, with an initial purchase of equipment and know-how from the U.S., has necessitated some pooling of resources. The apparent success in meeting this challenge and now producing a quality product—albeit at the higher end of the market—has encouraged further co-ordination among individual producers.

To consolidate their competitive position on world markets, the manufacturers have now launched a programme aimed at co-ordination of research, development, production and marketing. The movement is clearly towards the standardisation of manufacture, inventory growth, joint marketing campaigns and the streamlining of professional organisations within the branch. But, as Mr. Gerard Bauer, long-time president of the Federation of Swiss Watch Manufacturers notes: "There is no panacea which will eliminate all the ills emanating from the global recession, the up-valuaiton of the franc and the revival of protectionism."

All the components for Swiss quartz watches, including the integrated circuits, pointers and batteries, are now produced in Switzerland. And the country's share in world production of electronic watches amounted to some 5m. units last year, or 20 per cent. of the aggregate, including at least half of the top end of the market. Mr. Bauer believes that these figures may well double this year and that Switzerland will gradually come to occupy the same position in electronic timekeeping as it holds in the lever movement sector where a good third of the world market is cornered by Swiss manufacturers.

This, at least is the aim. But the exchange rate can change the outlook considerably.

As is pointed out, every increase in the Swiss franc exchange rate of 1 per centage point against the other main currencies, means a price hike of 1.6 per cent. for Swiss exports expressed in these currencies. In the dollar area, which still accounts for nearly two-thirds of total sales, this appreciation can trigger a 2 per cent. increase. The resulting escalation of prices cannot be absorbed very much longer without seriously impairing competitiveness and sales. And there is little or no room left for squeezing profit margins. Pre-tax profits for Swiss manufacturers stood on average at some 5 per cent. three years ago. Since then, many have moved into a negative cash flow position, in some cases amounting to 12 per cent. of turnover. Assets have dwindled, reserves have been drawn on and there has been significant borrowing as well.

Doubtless, Swiss watch manufacturers can still hold on. But they sorely need a break which will permit production to move forward in a sustained manner instead of just ticking over as at present.

D.E.

Chemicals come under pressure

THE SWISS chemical industry is feeling less than happy about its chances in 1978. Major producers like Ciba-Geigy, Sandoz and Lonza have already painted a pretty dark picture for the first few months, with turnover and profits badly hit by the most recent strengthening of the Swiss franc. Important user industries have in many cases shown no signs of a decisive improvement in demand, prices are under pressure and the pharmaceutical sector is dogged by the need for health services to cut back their costs.

The past year had proved more or less satisfactory for many individual companies in the chemical sector. In terms of Swiss francs, group turnover rose by 5 per cent. for Ciba-Geigy and Lonza, 6 per cent. for Sandoz (excluding the newly-acquired U.S. group Northrup King) and probably by the best part of 10 per cent. for Hoffmann-La Roche. The actual rise denominated in local currencies was considerably higher, it is true, but company-weighted appreciation rates for the Swiss franc seem to have been in the tolerable region of 5-6 per cent.

Profitability showed a less favourable development, however. Of the major parent companies (the Basle "Big Three"), only Ciba-Geigy booked an improvement in net profits; the Sandoz figure declined and a drop is also expected for Hoffmann-La Roche. In the scond order of magnitude, companies like Lonza and Zyma admittedly improved their profits, though it remains to be seen how typical this was. Smaller firms are frequently much more dependent on the sluggish home market or on a single, not necessarily profitable, market segment: they will have been affected more substantially than the multinationals by a chemical-sector price decrease which in Switzerland reached an average of 1.4 per cent. at the wholesale level and much more in the case of individual products.

Whatever the case, Government statistics show that the chemical industry experienced a one per cent. decline in production for calendar 1977—and was thus one of the few sectors of the economy whose output did not grow: only in the third quarter of the year was the production volume up on corresponding 1976 levels. This meant that chemical output was only very slightly more last year than in 1974. Turnover seems to have been up on 1976 levels, though at an ever-decreasing rate so that by the fourth quarter of 1977 sales value was actually down by 3.8 per cent. over a year earlier. Exports were up for the industry as a whole—by 6.2 per cent. to Sw.Frs.8.26bn.—but the share of chemicals in total Swiss exports fell from 21.5 to 20.1 per cent. To quote the Swiss Society of Chemical Industries, it was generally a case of "a downward trend."

The trend has certainly continued downwards in the first part of this year. In their recent annual Press conferences, Ciba-Geigy and Sandoz reported a fall in first-quarter Swiss-franc sales for the respective groups of 15 and 7 per cent., despite local currency increases of 4 and as much as 12 per cent. Lonza, the chemicals division of the Alusuisse group, has said that turnover has been stagnating and earnings falling because of the monetary situation. The development can hardly have been much different for other companies.

Indicator

The first overall indicator for the industry this year is the Government's first - quarter foreign trade breakdown. This shows a very small rise in exports of 1.1 per cent. over the corresponding 1977 period, with average value per ton down by as much as 10.5 per cent. So chemicals are still lagging behind the rest of the economy, and their growth rate even below Switzerland's miniscule inflation. Nor is business much better at home, to go by figures of the Swiss Society of Chemical Industries, the wholesale price index for the first quarter having been 4.8 per cent. below for that a year earlier.

Being tied to the highly cyclical textile industry, it is dyestuff production that is especially subject to ups and downs within the Swiss chemical industry. Recently, it has been experiencing the downs. In calendar 1977 this was the only sector whose exports actually declined, dropping by 5.6 per cent. to Sw.Frs.1.44bn. In the first three months of 1978 export in value terms was no less than 10.5 per cent. lower than that for January-March, 1977. There are, however, signs of a recovery in the recent weeks.

The pharmaceuticals business, whose exports went up 11.3 per cent. in 1977 to Sw.Frs.1.54bn., is better placed and much less open to the buffets of economic fluctuations. Here, though, the Basle specialist undertakings are hampered by the considerable difficulty, usually for political reasons, in carrying out price increases—quite apart from problems connected with patent protection and the increasing time and money involved in launching new products. Still, the business remains a lucrative one: indeed, one Swiss company hitherto hardly present on the pharmaceuticals market joined in the fray when Nestlé acquired the U.S. company Alcon Laboratories at the turn of the year.

The agro-chemicals business and plastics both looked up last year, improving their exports by 13.5 and 13.6 per cent., respectively — but the agro-chemicals sector had had a poor 1976 due to weather conditions and the plastics manufacturers are no strangers to the vagaries of supply and demand.

All in all, though, the Swiss industry is much less pessimistic than its German counterpart. It has good reason to be less pessimistic, since its fate is not tied as much as that of the Germans to bulk products in production segments with massive world over-capacity. The great days of the late 1960s and early 1970s are past but most Swiss companies still have a fundamentally prosperous future.

Steps are, however, being taken *pour corriger la fortune*. One of them is a continued expansion of foreign production units. While this is in some cases more of necessity than virtue, Third World countries, in particular, being keen to locate such industries as pharmaceuticals manufacturing on their own territory, a build-up of capacity in specific countries is very much part of Swiss companies' policy. This goes particularly for the United States. Ciba-Geigy has acquired no fewer than seven smallish American undertakings since last autumn, Sandoz has created a new division for the seeds business (with a goodly 10 per cent. of group turnover) by the takeover of two major U.S. specialist firms, Roche is expanding its American organisation fast and the Alusuisse group has a big project in hand in Texas; as already stated, it was to the U.S. that Nestlé turned when it felt like entering the pharmaceuticals field in a noticeable fashion.

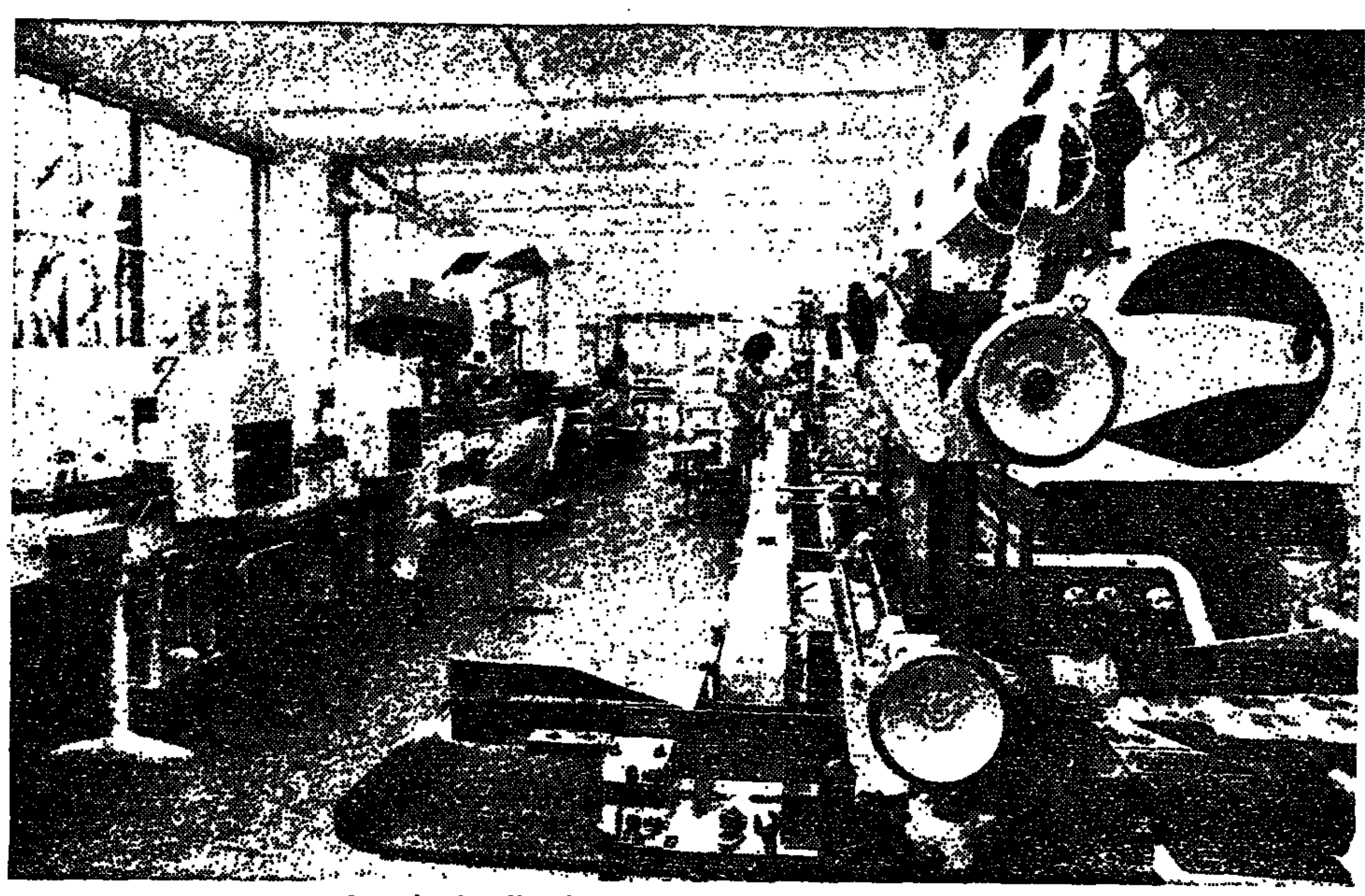
Snowball

Another form of development is that into the "diversification sectors" of the major companies—into food, seeds, photo-finishing, hospital supplies and the like. There is a certain snowball effect at work, with companies adding on activities with some logical link to existing operations.

These two policy lines do not preclude a further expansion in traditional activities on traditional sites. A great deal of money is still being invested in pharmaceuticals, dyestuffs, organics and other "old-established" operations and a surprising amount in Switzerland itself. Surprising because no really big new chemical plants are under construction there or are likely to be built in the foreseeable future.

Generally speaking, the aim continues to be to improve added value for the already highly sophisticated Swiss products. At present, the day of the smash-hit product like DDT, Valium or some of the more modern dyes seems to be past—expansion, and this goes particularly for dyestuffs, is seen to-day more in qualitative terms than in the opening of new plants in or near Basle. The determination to "stay exclusive" is made clear by the reluctance of the industry, no matter how unsatisfactory its temporary situation, to introduce any reduction on research and development expenditure. In chemicals, as in other Swiss industries, the limited nature of the home market, the lack of natural resources and the high standard of living mean that production has to be kept up in the top quality bracket. Mass production, whether at home or abroad, does not belong to the options.

J.W.



A packaging line in a Roche pharmaceuticals factory.

Record year for textile exports

LAST YEAR exports of the Swiss textile industry reached a new record. Foreign sales of textiles, clothing and shoes totalled Sw.Frs. 3.11bn., with increases over 1976 in all product groups. Despite the much higher Swiss franc exchange rate, manufacturers were able to beat the former peak export performance of boom year 1974 by 6.8 per cent.

In fact, last year's rise in shipments abroad was largely a matter of necessity for Switzerland's textile sector. On the home market, there has been a marked decline in consumption in real terms over the past few years, while at the same time imports have been rising. In 1977, their value was up by 12 per cent. — as compared with the 9 per cent. annual growth in exports — to Sw.Frs. 4.36bn., or about the 1974 record, this as part of a smaller market.

Fortunately, the development of the free trade agreement with the EEC allowed an increase of Swiss exports, particularly into neighbouring countries. Indeed, much of last year's growth came from a rise of 28 per cent. in deliveries to the major market, West Germany, and one of 44 per cent. to Italy. In the case of Italy, the industry is feeling very relieved at the success of negotiations with Rome to abolish non-tariff barriers very disadvantageous to Swiss textile sales. The overall improvement in sales to the Community members last year brought the share of deliveries to these countries up to 52 per cent. of all textile-plus-clothing exports.

The largely successful efforts of manufacturers to build up exports have by no means solved the problems facing the industry, however. In 1977, production of the textiles industry (excluding clothing) rose by only a modest 1 per cent. over the previous year and that of the clothing sector by 2-3 per cent. This meant that, to go by official statistics, output for textiles was 4.4 per cent. down on the level recorded five years earlier and clothing production only 8.4 per cent. higher.

Rise

Expressed in turnover, sales value for the textile industry in the final quarter of last year was only 1.3 per cent. higher than that of the corresponding period of 1976. For 1977 as a whole, some fields of activity showed a marked rise in turnover, admittedly, such as cotton and allied man-made fibre weaving with a 21 per cent. rise, cotton spinning with growth of 13 per cent. and wool spinning with a 9 per cent. improvement. On the other hand, twisting operations showed no turnover growth in 1977 and those in silk (and allied man-made fibre) weaving and wool (and allied man-made fibre) weaving fell back by 9 and 4 per cent., respectively.

Prospects have become much gloomier this year. The recently published joint annual report of member associations of the Swiss Chamber of Textiles opens with the words "The situation is grave." Manufacturers are particularly worried at the upswing in the Swiss franc which began late last year and took the currency to dizzy heights in early 1978. Orders have fallen off sharply, both in view of the higher Swiss franc prices and due to uncertainty as to what the currency will do next; already, order-book volumes had been noticeably lower than a year before in all but the first quarter of 1977. Also, in such branches as fine weaving most new orders are said to be coming in at uneconomic prices.

Some firms are to-day working short time, and there are indications that a number of installations could close altogether in the near future. This would follow a decline in the number of employees in the industry from 54,212 to 40,068 in the past five years, during which period the number of plants fell from 676 to 556. A forecast by the St. Gall-based cotton and embroidery industry information bureau assumes that more companies will disappear in the future and the small and medium-sized undertakings which make up the bulk of the total capacity will have to engage in a larger degree of co-operation.

Certainly, the future would seem to lie increasingly in export sales. Domestic demand is showing no signs of a large-scale come-back, quite apart from the fact that Switzerland is going through a "zero-growth" period in its population development. Also, imports continue to get cheaper; in the first quarter of 1978, the average price for foreign textiles and clothing was 5.8 per cent. lower than a year before.

Of all European countries, only Switzerland has net textile exports (excluding clothing). There are indications that the export surplus is actually on the increase. In the first three months of this year, total exports from Switzerland of textiles and clothing were 1.3 per cent. up on those booked a year earlier despite a decline in average value of 1.6 per cent. While the volume of imports went up by over 5 per cent. over the same period, the sharper fall in price led to a 0.6 per cent. drop in actual import value.

Not much real aid has been forthcoming to the textile industry from the authorities. The Government acted effectively to tackle the problem of the Italian trade hindrances, it is true, and the National Bank is co-operating with the Swiss Bankers' Association in a scheme to grant favourable export credits to the textile, shoe, watch, and other industries adversely affected by exchange rates. But the industry would like something more to improve the "economic environment." For example, Swiss textile manufacturers are casting envious eyes at the agreements signed between EEC members and developing countries to limit the amount of textiles and clothing being sent to European markets. Although something of this kind could be carried out by implementation of the Multi-Fibre Arrangement, of which Switzerland is a signatory, Berne prefers to stick to traditional trade liberalism and avoid cuts in purchases from the Third World.

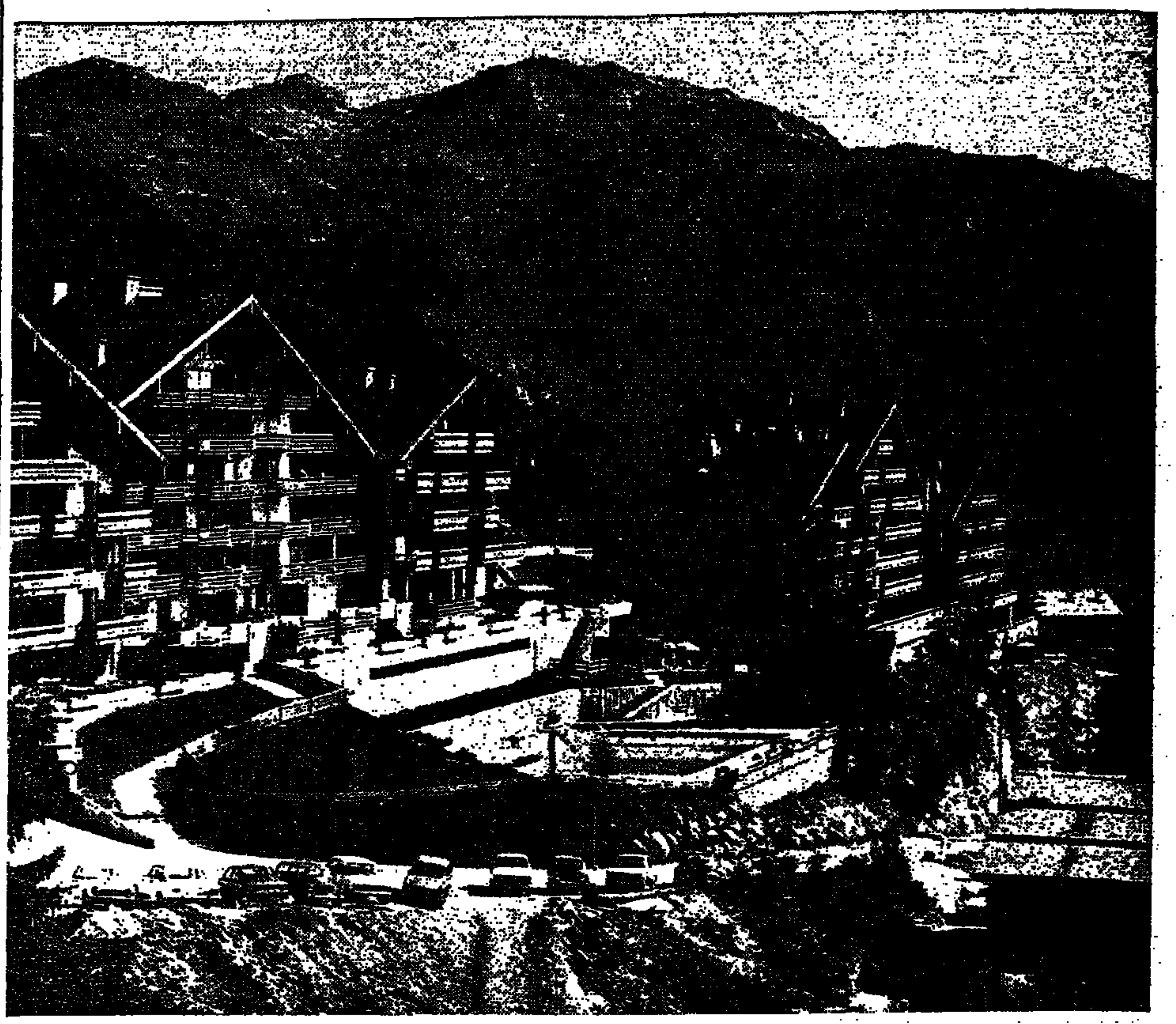
It remains to be seen to what extent areas largely dependent on the textile industry, such as the eastern Swiss canton of St. Gall, could benefit from any future regional development policy. This would certainly take some time to realise.

Quality

In the meantime, Swiss manufacturers are already exporting to more than 120 countries. Their hopes lie in a further improvement of product quality, based in part by such research programmes as that for "Swiss Cotton." At the same time, trade promotion is building up, individually and jointly; a new and doubtless important instrument will be provided as from August of this year with the opening of the "Textile and Mode Center Zurich" (TMC) as a wholesale exhibition and mart near Zurich Airport. Over 300 firms are represented in the co-operative which runs the TMC—a body, incidentally, intended to promote imports as well as exports and home-market sales.

The most important single factor remains the Swiss franc, however. A further marked increase could be extremely dangerous for textiles—just as a drop, particularly against the mark, would be very welcome.

J.W.



Mountain villages such as Anzere (above) have more than pulled their weight in their contribution to Swiss tourist revenue during the past year.

Winter sports to the rescue

WILLIAM TELL has lost his crossbow. The legendary Swiss hero can be seen at Zurich headquarters of the Swiss National Tourist Office, carrying not the weapon with which he is said to have shot an apple off his son's head, but a pair of skis instead. And the son clinging to his hand carries not the apple, but the ski sticks (not of course balanced on his head). Otherwise the statue is a precise replica of a 19th century model that many a tourist has carried home from Switzerland in miniature.

Whimsy, of course: whimsy which the Swiss have adopted as a marketing device to counter their traditional reputation for dourness. Switzerland, so the message goes, is fun—not merely a rather expensive haunt for the well heeled. But there may be another, less conscious reason for Tell, the skier: winter sport has helped to bring home the bacon during a very difficult period for the Swiss tourist industry, when recession at home and abroad, combined with the rise of the Swiss franc, took a severe toll.

The difficulties were largely concentrated in the summer season. From the peak, in 1973-74, to 1975-76, the trough, the number of nights spent in Swiss hotels by foreign tourists declined by 8.4 per cent. in the winter seasons, but by *fully* 21.4 per cent. in the summer season. Moreover, the winter tourists are known to be greater spenders who have tended to economise less during their stay. Lifts remain essential to most downhill skiers, and the early evenings encourage *apres ski* expenditure of one kind or another. So there is good reason for Tell to take to his skis.

Recovery

The figures for 1977 show a recovery, or at least what looks like the beginning of a recovery for the Swiss tourist trade. The number of nights spent by foreigners in Swiss hotels and what are called "para-hotels," meaning chalets, summer apartments, youth hostels and camping sites of one sort or another, rose by 5 per cent. to 32.6m. What pleased the Swiss most was that the increase was accounted for by the hotel trade proper—that is to say that it did not occur at the bottom end of the market.

There has been another spurt this year. The number of foreigners' "bed-nights" as the technical phrase in Switzerland is, during the first quarter of 1978 was 17 per cent. higher than in January-March 1977. The figures are not really conclusive, since this year, unlike last, Easter fell into March. But even allowing for an early Easter rush this year, there does seem to be a pick-up in demand for Swiss holidays.

Dr. Werner Kaempfer, Director of the Swiss National Tourist Office, in a speech this month said that inquiries received at his organisation's foreign offices were running at a level 20 per cent. above that of a year ago. Inquiries need not, of course, lead to firm bookings, but the mood of optimism in the organisation is unmistakeable.

Something that has caused a great deal of pleasure is that the number of British tourists may be on the way up again, in spite of the near-catastrophic slide of the sterling-franc exchange rate. The British, who really discovered the tourist attractions of Switzerland in the 19th century, have been coming in fewer and fewer numbers in recent years. In the 1960s they repeatedly accounted for more than 3m. bed-nights a year in hotels proper: last year that figure slid below 1m., and if you add "para-hotels" the figure comes to 1.3m. or a mere 6.4 per cent. of total foreigners' bed-nights in Switzerland. But in the first quarter of this year, the number of British guests in Swiss hotels turned up by 17 per cent. Of course the figure was distorted by the early Easter, but the fact that the figure for all foreigners also increased by 17 per cent. shows that the British were at least holding their own.

Inevitably the Germans are the largest contingent, followed by the Dutch. Geography is one reason: the fact that the D-mark and the guilder are among the few currencies that have been able to look the franc in the face recently is another. But one is told that the Swiss are extremely anxious not to become exclusively dependent upon the Germans with their 41 per cent. share in Swiss tourism (as measured by bed-nights in hotels and para-hotels).

Therefore the Swiss Tourist Office in London is to intensify its efforts (with an eye also to a new class of tourist ferried across the Atlantic by the new style cut price flights, many of which use London as a gateway into Europe). But one hears of quite small inns and pensions, run as family businesses, that are prepared to cut prices for well known guests from countries that have fallen behind in the exchange rate stakes.

Whatever the motive, it is one clear sign that profits and prices are under pressure. The price lists of the Swiss hotel industry have not been markedly revised upwards since 1974 (which must compensate for at least part of the appreciation of the franc where the foreign visitor is concerned), and there does appear to be some discounting not only to favourite holidaymakers, but also in the expense account class of hotel. And even without discounting the Swiss hotel guide lists more than 100,000 beds available (with breakfast) for no more than Sw.Frs.30 (about £8.50 a night).

Climate

Wages being the main cost element in the industry, the Swiss have been fairly fortunate with the prevailing social and non inflationary climate. Wages have been rising, but by only something like 2-3 per cent. annually. Moreover it seems probable that productivity has increased since over-full employment came to an end in 1975. The fact remains, however, that the hotel and catering trade, which employs about 160,000 people, many of them migrants from southern Europe, is some 15,000 to 20,000 people short.

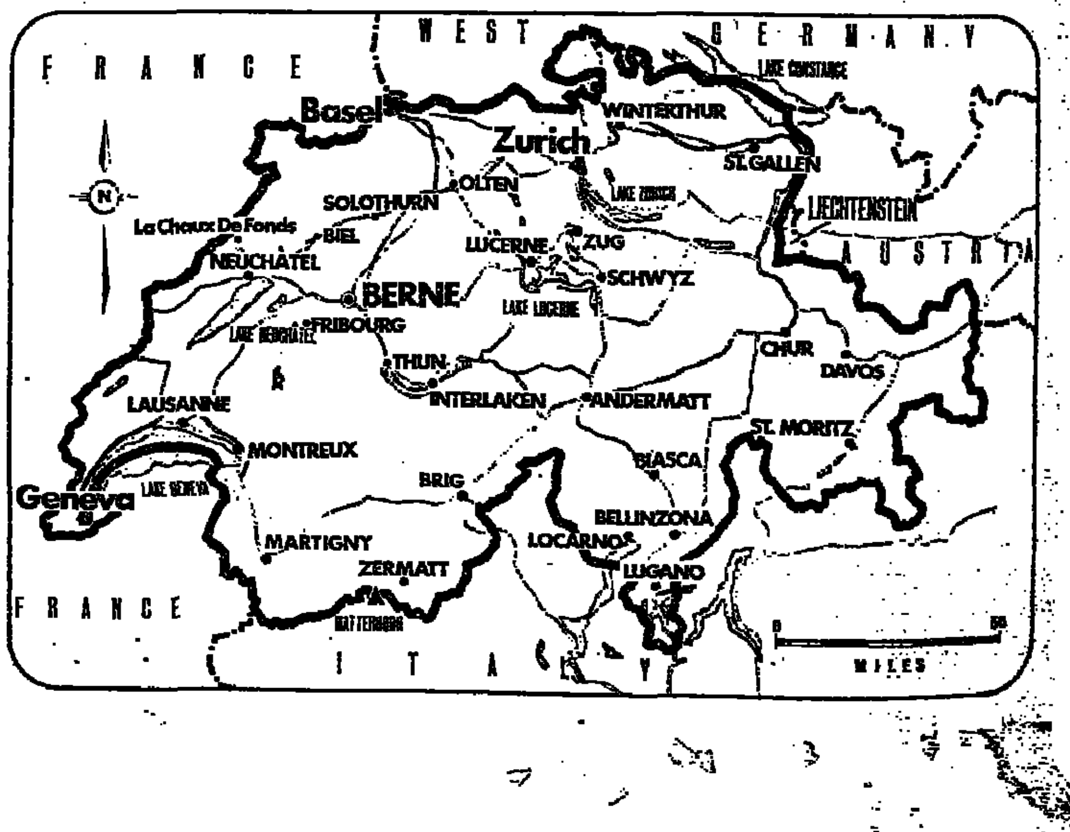
Representatives of the industry occasionally start trial balloons, calculated to establish whether officialdom is ready to reduce the impact of the high franc rate upon the tourist trade.

But the practical difficulties are enormous. However, it has usually been good advice to tourists visiting a foreign country to settle their bills in local currency. If they pay the hotelier in foreign bank notes or cheques denominated in foreign currencies they may be charged a rate below that available at bank counters. The discount is fairly easy to justify, on the grounds that the innkeeper has the bother (and the exchange risk) involved in holding and changing the foreign money; but it is also easy to avoid.

The exchange rate has accentuated the dilemma under which the Swiss tourist industry has long laboured: whether to ignore the modern trend towards mass tourism, or at any rate largely to ignore it. On the whole the industry has preferred to remain the stronghold of individual tourism: package groups account for less than 30 per cent. of the market to this day. But the industry has tried to find a compromise by developing individual packages made up, for instance, of return flight and vouchers which the individual tourist arriving by himself (perhaps in his own car) can present to participating hotels in payment for his lodging. That, incidentally, is a technique which should make it possible to reduce the exchange rate risk devolving upon the hotelier, since it can be hedged the moment that the voucher is paid for.

Another kind of package that has been devised places a selection of the services available in any one locality at the tourist's disposal in return for an all-in fee. It may include a visit to a local point of interest, a conducted tour, a voucher for a souvenir, and so forth. By now 600 such packages are available and the range they cover is wide. This year, however, new ground has been broken at Flumserberge. There, if you must, you can take a vacation course in milking. Dour or whimsical? That will depend on the cow.

W.L.L.



هكذا من الأهل

The challenges facing the Shah

By ANTHONY McDERMOTT in London and ANDREW WHITLEY in Tehran

THE SPREAD of disturbances in Iran from regional centres such as Tabriz, Yazd and Qom to Tehran, the capital, where tanks have clashed with rioters, shows that the Shah is facing the most serious challenge to his rule since the 1960s.

In the last six months unrest has been growing. Last October saw a series of strikes and demonstrations by students in most of the main universities. The following month, at the same time as demonstrations in Washington against the Shah which had him publicly wiping his eyes made sore by tear gas, there were ten days of demonstrations at the University of Tehran. At the beginning of the next month most of the 20 or so seats of higher education were closed or on strike.

There has in the last few months emerged a new and paradoxical pattern. The opposition to the Shah has become more obviously rooted in the religious community of the Shi'ites who constitute about 90 per cent. of the population. At the same time, the Government, through its party, Rastakhiz—the National Resurgence Party set up in March 1975—has tried to respond to each outburst of violence with rallies to gather the support of the faithful. By an unintended irony these rallies may well have emphasised the limitations of this only legally permitted party as a genuine outlet for political discontent.

The religious aspect of the protest can be overestimated. The current bout of opposition is generally traced to the death in mysterious circumstances on October 29 of the son of Ruhollah Khomeini—an Ayatollah, or Shi'ite religious leader—who has been living in exile in Iraq since 1963. The publication on January 7 in the Government daily, Ettela'at, of an article about Ayatollah Khomeini which the Shi'ite considered to be damaging and defamatory was followed by demonstrations in the holy city of Qom in which the officially given death toll was six. Coinciding with the end of 40 days mourning for those incidents, there were riots throughout the country, in particular in Tabriz. Another 40 days later, there were demonstrations in numerous cities, particularly Tehran, Qazvin and Yazd. On May 7, 40 days after the troubles in Yazd, further demonstrations broke out. At regular intervals Rastakhiz countered with rallies. The largest of them brought out some 300,000 people in Tabriz on April 9.

Religious

A distinction should be drawn between religious and intellectual opposition to the Shah's rule. The latter, notably since the advent of President Carter's Administration and its concern with human rights, has been able to circulate with relative impunity letters of criticism profiting from an effort of the Iranian Government to open the door to more public debate on important and controversial issues. Two letters were even sent to the Shah himself. The intellectual dissent has been undoubtedly more coherently and precisely expressed than that of the religious leaders. But the crucial point is that the intellectuals do not command the popular support that the religious opposition has.

Shi'ism, an unorthodox branch of Islam, has always had a specifically Iranian tinge, anti-establishment—initially against the Arabs and latterly anti-Pahlavi. The leading Ayatollahs, Golpayeghani and Shariatmadhari in Qom, Shirazi in the equally holy capital of Mashhad, and Khonsari in the capital are all in their 60s and 70s, and aware of the lack of recognised hierarchy among the Shi'ite clergy. They need constantly to maintain their own credibility and standing among their constituents and at the same time keep an eye over their shoulders on such exiles as Ayatollah Khomeini in Iraq.

Demands are made for the restoration of the *shariat*, or Islamic law, for the greater observance of religious proprieties, and for the constitutional provision governing the vetting of legislation by the religious leadership to be observed.

At the same time there has been a groundswell of conservative indignation against the rapid spread of westernisation and modernisation.

Simultaneously with this wave of protest other economic and social grievances are being aired, largely arising from the rapid pace of change. The uprooting of villagers by mass migration to the towns where housing is expensive and in short supply for low income groups is recognised as a significant contribution to unrest as was shown in the bloody rioting in Tabriz. There are tactical and informal links between disillusioned academics, anti-establishment students, bazaar shopkeepers, the known guerrilla groups, intellectual dissidents, old time politicians, and the clergy, but they differ seriously among themselves about what they are doing and why. Among these groups it is the religious opposition which commands the most widespread support.

Against the background of this unrest, the Shah is working under some severe constraints. While displaying in public his grim, aloof, magisterial image of a stern father who knows what is best for his people (leaving to Empress Farah the role she performs with success of providing the regime's human face), he is concerned about the problems of establishing institutions of permanence for his son and heir, Crown Prince Reza, who has two years to go before reaching his majority at 20 years. This is particularly difficult after having ruled alone, for a long time and repressively at a time of acute social and economic change.

Shah Reza Pahlavi, whose troops turned out last week to quell riots in Tehran.

At the heart of these conflicting issues there lies the role of Rastakhiz, the Government party, and its future. A high party official, Mr. Houshang Ansari, also chairman and managing director of the National Iranian Oil Company (NIOC), one of the world's largest oil companies and one of the keys to Iran's economic fortunes, at the very time when NIOC was engaged in crucial talks on a new long-term relationship with the Western oil consortiums, travelled to remote regions, preaching the party's virtues to Bakhtiari tribesmen. Other party functionaries have also taken to the road, concentrating on small towns and rural areas.

The fatal weakness of the Rastakhiz—reflecting the classic dilemma of any attempt to rule by means of a single party—is that it falls between two stools. On the one hand it dragoons the opposition: on the other it tries to attract people with a wide spectrum of political views into giving it backing; it wants to be both feared and loved. Repeated calls to dissidents to enter into a dialogue have fallen on to deaf ears. No one among them believes that the Government is sincere. They suspect an attempt to stifle their voices in the party's embrace. To a large extent the dissidents are right to believe that the Government refuses to take them seriously as potential partners.

That is not to say that Rastakhiz has been totally monolithic. There are those who suspect that the regime is secretly pleased by votes of no confidence passed recently in the Majlis (National Consultative Assembly) and by criticism of the Government's handling of riots in Tabriz and Qom. The fact that the administration of Dr. Jamshid Amouzegar was forced to defend itself publicly was taken by some as a sign that the Majlis was alive and could accommodate differences of view. Some critics, mainly the educated and a politically-aware minority are prepared—in the absence of any better vehicle—to participate in the operations of Rastakhiz and the Majlis, and with a certain justification maintain that too much should not be expected too soon. The major failing has been an inability to shake the masses out of their deep-rooted apathy and cynicism towards the Government, and to win acknowledgment of the genuine progress that the Government has made in some areas.

The fact is that the gloss has gone off life in Iran. Government officials complain that the rise in living standards is taken for granted with little credit given in return. Until two years ago a vision of an ever-rising tide of expectations was deliberately encouraged, in part to secure political calm. The slow down of the economy, inflation, and the realisation that wealth alone is not enough to create a new society have been elements in the vociferous outburst against the Shah's Government.

At the same time, the Shah has to take notice of outside influences. That means not so much interference from East Bloc states or countries such as Libya or South Yemen, or from the radical Palestinians, as, first, the coup in Afghanistan, and secondly the influence and support of the U.S. Events in Afghanistan have added to his genuine fear of being increasingly encircled by radical states. The relationship with the U.S. requires an infinitely subtle balance: Washington and Tehran share views on many economic and military questions, but the Shah must continue to make some concessions towards greater liberalism to fit in with the mood in Washington.

The Shah has both shown considerable skill and made errors of judgment. He seems unwilling to recognise that the disturbances arise from genuine grievances among a large number of Iranians and not merely a small minority of anti-nationalist malcontents. The Qom riots in January were needlessly stirred up in the first place, then the authorities played straight into the hands of the religious community by shooting demonstrators. There lies a vital difference between its approach to intellectual and to religious dissent. The intellectuals—generally small numbers—can aways be locked up. In the case of the religious opposition, there was a stage when the Government deliberately played up reports of arson and attacks on property in an attempt to discredit the opposition as hooligans. In the end, the Shah was forced to act as he did in 1963—by using extensively for the first time since then the army and its tanks and shooting when it found it necessary.

In spite of the widespread and violent nature of the opposition to the Shah, and in spite of the limited room for manoeuvre his Government has, his throne is not judged to be in danger. The Government was surprised and shaken, and resorted to force in coping with rioters. To support it there remains the deeply-rooted belief in the need for a ruling monarchy. But more Iranians than before—from intellectuals to villagers—share a sense of unease about Iran's future.

Letters to the Editor

Tax relief on productivity

From Mr. B. A. Cole

Sir,—As a supporter of freedom from excessive government interference in industry, I find it depressing to read the comments of the chairman of the Stock Exchange (May 10) on the Government's tax incentives for employee shares. It really is unbelievably naive to suggest that "the concessions should apply to cash handouts to employees as well as to money used to buy employees' shares."

I suppose if this means anything it is a call for tax relief for wage increases resulting from productivity agreements. It is surely already clear that many productivity schemes are bogus, designed merely to overcome wage restrictions, and that the Inland Revenue are certainly not in a position to check such schemes. What is meant to be the purpose of such tax relief? What benefits would offset the clear opportunity for tax avoidance?

Mr. Goodison's proposals, as reported, are to extend the tax relief to cash as well as shares; employees of more companies; a higher annual limit; shares with less limitation on disposal.

I support wholeheartedly the implied call for lower taxation, especially for senior executives. I condemn, however, his explicit call for even more arbitrary discrimination in favour of employees who happen to be able to take part in an acceptable "productivity sharing scheme."

Tax relief for profit sharing is unjust and irrelevant to our national problems. Let industry call with one voice for its abolition. If tax incentives are to be used to promote socially useful economic behaviour, then give the incentive to anyone who is prepared to invest in ways society desires. The method by which the investment funds are earned is immaterial.

B. A. Cole.
Drake Wood,
Devonshire Avenue,
Amersham, Bucks.

Investment in the ports

From Mr. F. G. Major

Sir,—In the Mechanical Handling Survey in the issue of May 2, an article with the banner heading "The docks resist change" would, in the opinion of many port operators, convey the impression that, over the past few years, British ports had suffered an investment standstill.

This is far from being the case, since many ports over the past decade have spent enormous sums to uprate old, and develop new, facilities to meet the revolutionary changes in cargo handling methods—and let us not forget that ports in the U.K. receive neither capital nor operating subsidies in the way that their continental counterparts do!

I would also like to point out, on behalf of members of the National Ports Council sponsored study into container handling systems that expert representatives of Port of London Authority, Clydeport, and The Mersey Docks and Harbour Company made a significant contribution to the study, along with their colleagues from BTDB.

To further demonstrate the ports' general concern about equipment developments you should also note that members of the British Ports Association have developed an ideal straddle carrier specification, based upon operational and engineering criteria, so that manufacturers, both at home and abroad, have a yardstick as to the British ports' minimum standards.

The British Ports Industry, despite its many and varied critics, is in a competitive mood, and recognises the importance of giving value for money.

F. G. Major,
Container Terminal Operations Manager.
The Mersey Docks and Harbour Company,
Pierhead, Liverpool.

Benefits of leasing

From the Secretary Equipment Leasing Association

Sir,—Both the Equipment Leasing Association—the representative body of the equipment leasing industry—and its members are aware of the problems referred to in Mr. M. P. Gould's letter (May 9). We believe that some of the car leasing schemes now being made available, especially those which give the impression of tax-free gains for employees, are objectionable. Such schemes are not offered by members and we dissociate ourselves from them.

The leasing industry makes a substantial and unique contribution to stimulating investment in industry—around 25 per cent. of funds obtained by commerce and industry from external sources is provided by lessors. It is, therefore, of the greatest importance that those operating on the fringe of the leasing industry should be discouraged from carrying out practices which could harm the good repute of leasing.

J. B. Damer.
14, Queen Anne's Gate, SW1.

Corporate disclosure

From Mr. Richard Tudway.

Sir,—Professor Stamp in his report on Corporate Disclosure (May 10) puts his finger on the nature of the reaction against the proposals of the UN.

As he rightly points out, US companies make substantial "social responsibility" disclosures which make the UN proposals look modest to say the least.

The fact of the matter is that there is a resistance in British (and European) industry to the whole business of social responsibility disclosure. This rests more on ignorance than knowledge of what such disclosures entail.

For this reason we have been developing a comprehensive package for management which we believe will help them to see how the negative "constraint" of disclosure can be turned into a positive advantage by publishing relevant and meaningful information about their activities for the public at large.

The time has surely arrived for European business to face the fact that it has to respond to a much wider constituency than in the past. To pretend that things are otherwise serves the interest of none, least of all business.

R. Tudway.
Sermatech.
520, Chesham House,
150, Regent Street, W.1.

Eyes on the doctor

From the managing director, Endura Lamps

Sir,—I read with interest and dismay, Dr. David Carrick's article in to-day's Financial Times (May 8). I am interested that anybody is interested in good lighting. I am dismayed by the proposals.

Good office lighting is best provided by fluorescent tubes of the right type providing 400 and 500 lux. The proposal of table lights ignores heat, maintenance, trailing cables, general levels of wall brightness, glare, etc. It is much more expensive, provides much greater visual fatigue and is a step backwards of about 20 years.

A fluorescent lamp provides per pence, at least five times as much light, susbtantially lower levels of heat, reduced glare and improved visual comfort. To all of the disadvantages mentioned by Dr. Carrick there are solutions. Planned maintenance, even distribution, selective switching.

J. B. Richardson.
29, Saltaire Road,
Shipley, West Yorkshire.

Fluorescent vs. tungsten

From Mr. Victor Bryant

Sir,—Before you have all your readers rushing to replace those current-thirsty fluorescent tubes with a humble 60-watt bulb let's take a look at the overall efficiency of these two light sources. To save you working it out the fluorescent tube converts electrical energy at the rate of around 60 lumens per watt, as against the tungsten lamp around 10 lumens per watt. So for similar lighting levels your electricity bill for the tungsten lamps will be approximately six times that with fluorescent tubes.

May I suggest Dr. Carrick consults his ophthalmic colleagues who will, I am sure, advise that an important factor in the prevention of eye strain is the avoidance of undue contrast when shifting the concentration from the work task to the general surroundings of the office environment.

While I agree that well designed local lighting (for example, your desk lamp) can be of great assistance to the reading of detailed documents and papers, it should be used in addition to, and not in substitution for, a good level of general illumination from the fluorescent tube. Only then will eye strain be reduced to a minimum and office morale maintained at a high level.

Let me express my agreement with the doctor's statement that adequate lighting calls for a level of 400/500 lux. But please do not try to get this with tungsten bulbs alone—Mr. Benn would not like it at all.

V. O. E. Bryant.
Derek Clapton and Partners,
107, High Street, Edgware.

Unemployed by decree

From Mr. T. G. Arthur

Sir,—It was a real pleasure to read the letter of E. G. Wood (May 6) pointing out that the problem was one of imbalance rather than an aggregate shortage of work.

While also admitting that I don't pretend to know all the answers, may I be a little less modest than Professor Wood and suggest that a fruitful area of research would be the extent to which unemployment is Government-induced.

We must first recognise that there are at least three categories of "work," namely (a) do-it-yourself; (b) do-it-for-someone else and keep quiet about it and (c) do-it-for-someone else, receive cash, and inform the authorities. (Perhaps we should start even further back and define "work," but leave that to the philosophers).

Most discussion centres on (c) which, were it not for intervention, is usually the most efficient. We must also recognise that this category, along with (b) is a manifestation of voluntary exchange, which is all an economy—however sophisticated—is about.

Many people realise that high State welfare militates against this kind of work. Some appreciate that high taxation, in whatever form, also militates against it, possibly shifting some work to other categories. Is it surprising that recorded voluntary exchanges are reduced when a good chunk of the exchange is swiped by the Government (whether or not for "good" causes is immaterial)?

But what about price and income controls, which attack the very core of exchange? What about minimum wage legislation? What about "employment protection"? What about the council house system, which stops mobility? What about the thousands of other interventions which clog the system?

More fundamentally, what about interference with interest rates, "demand management" or even the monopoly over money itself and the power to inflate, and their effects on the business cycle, uncertainty, and the misallocation of resources which constitute Professor Wood's imbalance?

One final plea. I suggest that yet another Government sponsored body, set up to investigate Government intervention, will hardly give us impartial answers. Let the private sector do it, or no one!

T. G. Arthur.
3, Yateley Road,
Edgbaston, Birmingham.

Protection of know-how

From Mr. Charles Simeons

Sir,—I believe that it may have escaped the notice of many of your readers that whatever the merits of the Consumer Protection Bill may be, the disclosure provisions in Clause 3 once again place the manufacturers' research and "know-how" at risk.

This is because information obtained by the Minister may be passed on to anyone who may need it for the purpose of drawing up prohibition or other notices. There is no restriction as to numbers who may be involved.

More adequate safeguards should be included so that the interests of companies of every size may be protected. I hope that every company which may be affected takes steps to acquaint themselves with this problem and write to their MP about it.

C. Simeons.
21, Ludlow Avenue, Luton.

Shareholders' interest

From Mr. M. Batley.

Sir,—Recently a chairman has appealed to more shareholders to attend AGMs.

Probably shareholders are as interested in the amount of dividend as anything else. If they were given the right at least to propose their own rate of dividend doubtless they would take much notice of the Board's recommendations, their interest might quicken and they would probably attend.

Would the paticular chairman please note and amend his Articles of Association?

M. Batley.
5, Charlestown Road West,
Davenport, Stockport,
Cheshire.

To-day's Events

GENERAL

Balance of payments figures for April.

Prime Minister in Downing Street talks with President Kaunda of Zambia.

Mr. Bulent Ecevit, Turkish Prime Minister, addresses Institute for Strategic Studies, London.

President Ceausescu of Romania arrives in Peking for state visit to China.

International Monetary Fund team continues talks with Treasury on continuance or otherwise of UK standby credit.

Government White Paper expected to propose increase in maximum fine for breaches of shipping rules.

Financial Times two-day conference on The North Sea and its Economic Impact opens, Grosvenor House, W1. Speakers include Mr. Edmund Dell, Trade Secretary, Lord Balogh, economic adviser, British National Oil Corporation, and Sir Geoffrey Howe, Shadow Chancellor of the Exchequer.

Hearing opens in Glasgow Sheriff Court of charges against Sir Hugh Fraser and others in relation to balance sheet produced for Scottish and Universal Investments.

United Nations Commission on Transnational Corporations meets, Vienna (until May 26).

National Union of Seamen's conference opens, Aberdeen.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' motions. Town and Country Planning (Windscale and Calder Works) Special Development Order. Consideration of Lords amendments to Housing (Financial Provisions) (Scotland) Bill.

House of Lords: Debates on Parliamentary procedure: on the survival of our democratic system; and on the importance of retaining London as an international arbitration centre.

OFFICIAL STATISTICS

Retail sales (April, provisional). Turnover of catering trades (first quarter).

COMPANY RESULT

Dunbee - Combex - Marx (full year).

COMPANY MEETINGS

See Week's Financial Diary on page 28.

COMPANY NEWS + COMMENT

Hammerson waiting right time to expand

WITHIN THE existing portfolio of Hammerson Property and Investment Trust there is the raw material for a sizeable development programme in the future and at the appropriate time these proposals will be brought forward, says Mr. Sydney Mason, chairman.

In the meantime the decision to proceed with the $30m Bow Valley Square office development in Calgary, Canada, represents a substantial step forward, he tells members.

A close and constant monitoring of the situation made it apparent that to undertake the third phase of this development would be timely in view of the shortage of space and the projected demand over the next three years.

Agreement was reached in December 1977 with a North American insurance company for the provision by them of a minimum of C$25m. with a further $3m available subject to eventual leasing achievement. Mr. Mason says the total cost is expected to be in the region of $30m and arrangements have been made in London with a consortium of bankers for the provision of the interim construction finance.

"Construction is progressing satisfactorily and building works are expected to be completed by mid-1980," he says, whereby Bow Valley, including the existing fully leased phases one and two, will comprise more than 1m sq ft of modern office and retail space. And a final phase four of some 390,000 sq ft will be developed in the future, he adds.

Taking into account exchange rate variations, the group's short term borrowings increased during the year by some £0.5m due to the construction finance on the Vancouver property, and with the start of the phase three of Bow Valley, total short term indebtedness, the chairman says, is likely to increase further over the next few years. However, he adds that excluding new construction finance, the level of the underlying short term indebtedness continues to fall and the reduction of this remains one of the Trust's primary long term objectives.

As reported on April 29 pre-tax profit for 1977 rose from £3.83m to £4.89m and the dividend is increased to 5.46p (4.97p).

The chairman says that the Trust continues to seek out opportunities in the US where experience may be applied with the minimum of exposure and maximum financial benefit, but competition from both local and overseas investors, he adds, is considerable and projects which the Trust would consider viable extremely scarce.

At April 30, 1978, the Standard Life Assurance Company had raised its stake in the "A" Ordinary units from 28.56 per cent at the beginning of the year to 30.23 per cent. Its holding of Ordinary units was unchanged at 18.35 per cent.

● comment

Currency fluctuations have masked the fact that UK rental income of Hammerson is currently going through a reasonably buoyant patch, thanks to bunching of rent reviews: UK rents rose by 8 per cent last year and in 1978 will be boosted by new levels now agreed for more than half the space at Woolgate House. And overseas rental income is making steady progress in terms of local currencies. But the full report emphasises that there will not be much in the way of developments to improve Hammerson's growth in the next few years, with current projects confined to Canada. On a nominal yield of 1¼ per cent, the share price at 568p reflects the broad base of the investment portfolio which is worth, on the limited rolling valuation basis included in the notes to the accounts, some 640p a share (with Woolgate House still included at its 1969 valuation of £25m). Meanwhile Standard Life continues to nibble at the shares.

MORGAN GRENFELL

The rights issue by Morgan Grenfell raising £8.2m. has been fully subscribed. Also the "A" 50p shares have been consolidated into "A" £1 shares. It is not proposed to call in existing "A" share certificates for amendment.

Applications were received for all the 2,975,000 shares offered in the rights issue as to 2,668,738 Ordinary shares of £1 each and 306,262 "A" shares of £1 each. The total amount subscribed was £8,257,815.50.

Samuel Sherman loss £0.2m

Sales of Samuel Sherman, laides dress manufacturer, for the 15 months to end 1977 were £1.76m. compared with £1.47m. for the previous year, and after an exceptional debit of £144,281 against £44,834 the company incurred a pre-tax loss of £244,367 (£96,025).

At the March 31, 1977 six months stage the directors, reported a turnround from a loss of £60,168 to a profit of £5,321 but said that a loss was anticipated for the remainder of the period.

Again there is no dividend, the last being 0.635p net for the 1973/74 year.

After a tax credit of £4,983 (£42,593) net loss came out at £239,384, compared with £78,228 after irrecoverable ACT debit of £24,796 was written off, and loss per 10p share is shown as 5.98p (1.96p).

Nationwide Leisure downturn

On turnover of £2.7m. against £2.63m. pre-tax profits of Nationwide Leisure for the year to October 31, 1977, fell from £241,177 to £173,734. But the directors say that after a dull start, the current year is now showing a great improvement as regards both sales of caravans and cash flow, which will allow them to invest further in the group's internal untapped growth assets.

Earnings per 5p share before extraordinary items are shown as 1.54p (1.89p) and a final payment of 0.375p (0.125p) is the total dividend for the year compared with 0.875p last time.

Pre-tax profit included investment income £2,986 (£3,386) and was subject to tax £75,114, against £120,455. There was an extraordinary debit of £35,655 (nil) for the period being expenses incurred defending the bid from British Car Auction group and loss on sale of assets £40,210 (£4,795 profit), which is covered by a transfer from (to) capital reserve. The amount retained was £79,975 (£63,591).

Jas. Neill to hold profit

THOUGH THE outlook is uncertain Mr. Hugh Neill, chairman, of James Neill Holdings says that in 1978 he is reasonably confident the group will match the £3.75m pre-tax profit achieved last year.

This he says will justify a further increase in the net dividend total from 5.8p to 6.38p as forecast at the time of the rights issue last January.

Like the group's competitors worldwide the directors await the general upturn in trade that has been expected for so long. Mr. Neill says that in the meantime the group must concentrate on improving its market share.

Some progress was achieved in this direction in the home market in 1977 and it is hoped that the trend will continue in the current year.

Because the group's existing share of the overseas market is smaller there is more opportunity to increase it—"and this is certainly our aim in 1978," declares the chairman.

In the year 1977 group pre-tax profits expanded from £2.08m to £3.75m on sales up from £33.03m to £42.14m.

The effect of cost increases on the value of stock and the effect of price increases on the value of debtors led to an increase of £2.8m in the working capital during the year.

Debtors increased by rather more than the 27½ per cent increase in sales value, due to certain overseas customers taking longer to pay, but stocks increased by only 9 per cent in creased by only 9 per cent in value, representing a worthwhile reduction in volume.

Capital expenditure at £1.26m was covered by the depreciation charged. The overall result was an increase of £0.85m in borrowings during the course of the year.

Nth. Midland Construction back in profit

North Midland Construction Company reports a turnround from a pre-tax loss of £35,674 to a profit of £54,259 for the half year to February 28, 1978, on turnover up from £1.56m. to £2.02m. The group incurred a loss of £84,858 for the full August 31, 1977, year.

Earnings per 10p share are shown as 1.5p compared with a 3.9p loss and the interim dividend is maintained at 0.45p net—last year's final was an unchanged 0.65p.

Net profit came out at £28,527 (£35,674 loss) after a tax charge of £25,732 (nil). The group which has close status, is involved in civil engineering and is a public works contractor.

Bowthorpe aiming at more acquisitions

EFFORTS are being intensified to expand the activities of Bowthorpe Holdings by acquisition Mr. Jack Bowthorpe, the chairman, tells members. However he points out that against the present depressed markets at home and overseas it would be unwise to forecast more than a modest increase in profit in 1978 over the pre-tax record of £5.92m last time but the group is ready to take advantage of any improvement in the economy.

The move by the Hellerman Electric division to a new factory at Plymouth is now taking place and will be completed by the autumn. Investment in the new building and plant will exceed £1m, less government grants. The division which has suffered from a shortage of labour for many years will be able to expand in its new environment, he says.

Currently the company is negotiating to sell a large part of the Crawley site. In July last year Hellermen Cassettes, which had contributed £131,000 to first-half profit, was sold for £825,000. This money has been used to develop the group's other interest.

In all £4.19m was invested in new factories, plant and tooling during 1977. Of this £2.12m was spent in the UK. The merger of the Bowthorpe Electric and EMP divisions was carried out at a cost of £129,000. The move caused some disruptions to the activities of the companies involved and trading results were affected, Mr. Bowthorpe states.

Group sales in 1977 were ahead at £36.88m (£32.77m) and pre-tax profit was up from £5.45m to £5.92m—as reported April 14. The net dividend is stepped up to 1.62p (1.463p) per 10p share.

On a current cost basis on the Hyde guidelines, profit was reduced to £4.59m by extra cost of sales of £982,000 and additional depreciation of £408,000 and including a gearing adjustment of £72,000.

Cash and short-term securities at year end were down £1.34m (up £915,000) and bank loans and overdrafts stood at £2.29m (£1.72m).

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims:—Davenports' Brewery, NSS Newsagents.

Finals:—Alpine Holdings, Dunbee-Combex-Marx, French Kier, Headlam Sims and Coggins, Hield Bros., Young Cos. Investment Trust.

FUTURE DATES

Interims:—	
Charterhouse	June 1
Dubilier	May 22
Homfray	May 25
Marley	May 31
Raeburn Investment Trust	June 18
Scottish Investment Trust	May 25
Finals:—	
Bradford Property Trust	June 20
Courtaulds	May 25
Ewer (George)	May 26
Folkes (John) Hefo	May 17
Hambros Investment Trust	May 16
London and Lennox Invest. Tst.	May 17
Parrish (J. T.)	June 13
Pyramid (Publishers)	May 18

Further year of progress expected by Ward White

PROFITS ACHIEVED by the Ward White Group so far in the current year are in excess of those achieved for the same period of 1977 and another year of progress is looked to, reports Mr. George McWatters, chairman.

In his statement he refers to the further growth achieved in 1977 in the industrial footwear field and mentions the acquisition earlier this month of Betts and Broughton.

Mr. McWatters says that the acquisition will enable the group to increase its productive capacity in the manufacture of specialised industrial footwear and will improve its marketing position.

It is considered that the contribution of Betts to the newly formed safety products division will be of significant strategic importance to the group.

During 1977 the group raised £1.38m in cash by an issue of preference shares. This issue together with the retained profits last time has strengthened the balance sheet and the acquisition of Betts will further strengthen the balance sheet in 1978.

In 1977 group pre-tax profits were more than doubled from £1.36m to £3.2m. As reported on March 31 the dividend is raised from 2p to 2.7p net. For the current year the directors have already forecast a total of 3.36p on a 34 per cent tax rate of which one-third will be paid by way of an interim and the balance as a final.

The chairman says that a significant feature of the year was the increase in international activities. Exports by UK-based companies rose by 49 per cent in value to £7.7m with particular progress being made in sales to the USSR, the Middle East and Scandinavia.

Most UK subsidiaries showed improved performances compared with 1976 and from overseas particularly satisfactory contributions were made by companies in Western Germany, Holland and the Republic of Ireland. The engineering division had another good year both in terms of increased turnover and improved profitability.

At the year-end there was a reduction in bank borrowings of £1.66m (£0.85m increase) and a reduction of £0.35m (£0.43m increase) in short-term loans.

Meeting Hilton Hotel, June 7 at noon.

Receiver for Ansbacher marine offshoot

Robert Fraser and Partners has appointed Mr. Kenneth Cork as Receiver and manager of Eastwood Marine (Essex), but negotiations to dispose of this business as a going concern continue.

Arrangements will be made to meet valid claims of present trade creditors in full and to ensure that the rights of customers and staff are protected, the directors say.

The amount of any further provision which may be required in the accounts of Fraser Ansbacher for the year to March 31, 1978, in respect of Eastwood Marine, will depend principally on the outcome of negotiations at present in progress with interested purchasers.

ISSUE NEWS AND COMMENT

Eurotherm Intl. forecasts £2.5m. and 2.64p payout

RECORD taxable profit of £2.5m is being forecast for the current year by the directors of Eurotherm International. On the basis of this they intend to pay a gross dividend of 4p per share, or 2.64p per share net, on a 34 per cent tax rate. If the company had been quoted for a full year they would have expected to recommend dividends of 5.3p gross or 3.5p net.

On a full 52 per cent tax charge earnings per share would be equal to 10.5p indicating a dividend cover of three times.

As already known the company is coming to the market with an offer for sale raising £2.8m for existing shareholders who are selling a quarter of the equity. The offer is of 2,854,300 Ordinary 10p shares at 100p, which puts the company on a p/e of 9½ and yield of 5.3 per cent.

Sales for the first five months of the current year amounted to £6.2m. compared with £4.8m.

The latest figures on April 14 show that the company had net borrowing of £828,420. Last October the balance sheet showed shareholders' funds in excess of £3m. Net assets per share are 27.3p.

There are plans to build a 50,000 sq ft factory, which should be completed by late 1979. The cost is put at £1.3m, about two thirds of which will be financed with a term loan with Barclays Bank.

The application list for the offer opens on Thursday. Brokers to the issue are Henderson Crosthwaite and the issuing house is Robert Fleming.

The company was started in 1965 by Mr. J. A. Hartnett, the chairman, Dr. J. Leonard, managing director, and two other colleagues. Eurotherm was a pioneer in the design of a temperature controller using semiconductors for high-volume production.

By 1971 the company had started to diversify. At present the original Eurotherm business has been developed to include timers, programmers and indicators. The main customer industries include plastics and chemicals, telephone and submarine cables, nuclear, semiconductor, glass fibre, optical glass and aerospace.

There are three other operating legs to the company, Chessell Shackleton and Turnbull.

In 1972-73 Eurotherm was making profits of £149,000 pre-tax on sales of £2.46m. In the year to October 31, 1975, profits were up to £880,000 on sales of £8.48m, and by the end of last year (October, 1977) sales had almost doubled to £12.85m, and profits amounted to £1.89m.

About 60 per cent of sales arise overseas.

● comment

There are some rather fancy ratings among the "high technology" electronic component companies with earnings ratios well into double figures and yields of only 2 or 3 per cent. So Eurotherm's p/e of 9½ and yield of 5.3 per cent at the offer price appears to be pitched at a level which should attract buyers but is unlikely to create out and out stagging interest. A company such as this keeps moving ahead by technical innovation and indeed a fifth leg to its product range is fairly imminent. The directors foresee profits continuing to show significant growth over the next five years at least. The market for the company's electronic components is growing and Eurotherm reckons to be increasing its market share. Overseas there are markets where the company has hardly scratched the surface, and ultimately the directors see 90 per cent of sales arising overseas compared with the current 60 per cent. Given the apparent buoyancy of current trading the shares seem a reasonable purchase, but as shown by United Scientific last week the shares in this sector can react fairly violently when the companies appear to go ex-growth.

Near £4m. invested in Equity & Law linked-life

Equity and Law Life Assurance Society reports a successful first year in its linked-life assurance operations, receiving £3.9m. in single premiums during this period through its investment bonds. Much of this investment came through the society's share exchange scheme, with its beneficial terms enabling investors to switch their existing holdings into investment bonds.

The society says it also had success with its regular premium linked business introduced last September. By the end of April, the society had issued contracts for annual premiums amounting to £600,000 under its renewable premium investment plans. Most of this business came through the society's extensive range of broker and professional adviser connections.

Investors have a choice of five funds to which they can link their contracts—an equity fund, a property fund, a fixed-interest fund, a guaranteed deposit fund, and a mixed fund combining these other four funds.

By the end of April, the total value of funds under management was divided 39 per cent equity, 28 per cent property, 15 per cent fixed-interest, and 18 per cent guaranteed deposit. During the first year of operation, the price of units in the equity fund rose by 14.9 per cent, those in the property fund by 10.4 per cent, those in the fixed-interest fund by 10.8 per cent, those in the guaranteed fund by 8.4 per cent, while units in the mixed fund increased by 12.7 per cent.

Equity and Law has also revised its personal retirement policy which enables the self-employed to make their own pension provision in a tax-efficient manner. The contract provides maximum flexibility, both with regard to the payment of contributions and in the form in which the benefits are taken.

It is available under two different plans—a non-profit basis under which the pension is guaranteed, and a with-profit basis where there is a lower guaranteed pension but this is increased by annual bonus additions.

In addition there are options to provide additional life cover at very low net cost, and to provide a widow's pension payable from the death of the investor whenever it occurs.

Pending dividends timetable

The dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. Dates shown are those of last year's announcements, expect where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year." Preliminary profit figures usually accompany final dividend announcements.

	Date	Announcement last year
Allied Breweries	June 21	Int. 1.25
Anglo-American Corpn. Grp.	June 9	Divs. due
Anglo Transvaal Cons. Grp.	June 8	Finals due
*Assoc. Engng.	May 25	Int. 1.37
*Avon Rubber	May 24	Int. 4
*ANZ	May 15	Int. 8 cents.
*Bass Charingtn.	May 25	Int. 1.631333
Beecham	May 19	Final 3.2796
*Berisford (S. and W.)	June 15	Int. 3.5
BOC Int.	May 25	Int. 1.34
*Boots	May 18	Sec. int. 1.7981
Borthwick (Thos.)	May 16	Int. 2.4
*Britannia Arrow	May 17	Div. due
Brit. and Comm. Shipping	June 16	Final 4.3545
*Brockhouse	May 18	Int. 1.6
Brown Shipley	June 9	Final 4.79
*Cater Ryder	May 17	Final 12.753
*Charter Consolidated	June 6	Final 4.68242
*Chartrhse. Grp.	June 1	Int. 1.18
*Chloride	June 15	Sec. int. 3.4
Chubb	June 15	Final 2.2355
*Coalite and Chemical	June 1	Final 0.3896
*Coats Patons	May 16	Final 1.6778
CompAir	June 15	Int. 1.5
*Courtaulds	May 25	Final 4.549
Dawson Int.	June 20	Final 1.9823
*Debenhams	May 19	Final 3.3697
De La Rue	June 9	Final 6.4 fcst.
Dobson Park	June 14	Int. 0.833
*Duport	May 17	Final 2.39153
Elec. and Gen. Inv.	June 21	Final 0.8
Electronic Rentals	June 9	Final 1.4515
English China Clays	June 18	Int. 1.75
*Ever Ready	May 19	Sec. int. 2.971
*Fine Art Developments	May 23	Final 0.6512
Finlay (Jas.)	June 3	Sec. int. 3.11
*Folkes (John) Hefo	May 17	Final 0.86121
*Gold Fields of SA Group	June 13	Divs. due
*French Kier	May 15	Final 9.5
*Furness Withy	May 16	Sec. int. 4.281
Gen. Min. Grp.	June 1	Divs. due
Grand Met.	June 2	Int. 1.6
Gt. Portland Estates	June 14	Final 2.8457
Guinness (A.)	June 16	Int. 2.3604
Guthrie Corpn.	June 9	Final 6
Hambros	June 21	Final 56.75
Harrisons and Crosfield	June 13	Final 16.45
*Heath (C. E.)	May 16	Final 9.1
Hickson Welch	June 2	Int. 3.633
Hill Samuel	May 31	Final 2.7653
ICL	May 26	Int. 2.6
Jo'burg Consolidated	June 9	Int. due
Johnson Matthey	June 14	Final 7.1938
*K Shoes	May 23	Int. 0.77
Keyser Ullmann	June 20	Final 0.225
*Land Investors	May 18	Int. 0.4
*London and Northern	May 24	Final 2
"LOFS"	June 16	Final 3.32076
*Marley	May 25	Int. 1
*MEPC	May 24	Int. nil
*Metal Box	June 5	Final 7.46
Minister Assets	June 2	Final 1.748
MK Electric	June 22	Final 2.89
Nat. Bank Australasia	May 11	Int. 6.5 cents
Northn. Foods	May 31	Int. 1
Pauls and Whites	June 18	Final 2.414
Pegler Hattersley	June 8	Final 4.931
Pilkington Bros.	June 10	Sec. int. due
Plessey	June 21	Int. 0.49797
Powell Duffryn	June 21	Final 5.13684
Press (Wm.)	May 26	Final 0.75
Prop. Hay's Wf.	June 2	Int. 1.422
*Ransome Hffmn. Pollard	May 24	Int. 1.44
*RHM	May 18	Int. 1.33
*Readicut Int.	May 17	Final 0.9977
Reed Int.	May 31	Final 7.0445
Samuel (H.)	May 24	Sec. int. 6.4
*600 Group	June 8	Final 3
Stafiex Int.	May 20	Final 1.61
Staveley Inds.	May 13	Int. 4.4
Swan Hunter	May 24	Sec. int. 3.5
Tesco	June 22	Final 0.8267
*Trafalgar Hse.	May 16	Int. 2.54
Triplevest	Mar. 31	Final 2.801
Triplex Fndries.	June 15	Final 2.739
UBM	June 16	Final 2.44125
UKO Int.	May 31	Final 5.38
Ward (T. W.)	June 16	Int. 1.21875
Wedgwood	June 10	Final 3.7
*Whitbread	May 17	Final 2.3698
*Wolv. and Dudley Brews.	June 1	Int. 1.7
Woodhead (Jonas)	June 17	Final 4.6305

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

Public Works Loan Board rates

Effective from May 13

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 5	10½	10⅝	11⅛	11⅛	11¼	11⅞
Over 5, up to 10	11¼	11⅛	12⅜	11⅞	12⅛	12⅞
Over 10, up to 15	12	12⅜	12⅝	12⅝	12⅞	13⅛
Over 15, up to 25	12⅝	12⅞	12¾	13⅛	13¼	13⅜
Over 25	12⅞	13	13	13⅜	13½	13½

* Non-quota loans B are 1 per cent. higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p:	+ or —	Div. P. or Amount	Times Covered	Gross Yield	P/E Ratio
105	F.P.	26/4	143	116	Saga Holidays	136	......	6.75	2.2	7.5	9.2

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or —
99	F.P.	—	96p	91p	Amal. Inds. 10½% 2nd. Prf.	96p	......
$100	F.P.	—	[illegible]	99¾	Amer. Express Int Fin. Variable '82	99¾	......
100p	F.P.	20/5	110p	102p	Armitage (G.) 10½% 2nd Cum. Pref.	110p	......
100p	F.P.	—	105p	105p	Brittains 9% Conv. Cum. Red. 2nd Pref.	105p	......
[illegible]	Nil	—	[illegible]	27	Emtek Malay. 10% 1st. Mort. [illegible]	27	......
£99	£10	25.8	9¼	8½	Greenwich (Lon. Boro. of) 11¾% Red. 1986	8½	+⅛
[illegible]	F.P.	28/4	104p	101p	Jenks & Cattell 10% Cum. Pref.	101p	......
—	F.P.	9.6	105p	102p	Menzies (J.) 9% Cum. Pref.	103½p	......
[illegible]	F.P.	28 7	102¼	101½	Mid-Sussex Water 7% Red. Prf. 1983	101½	—½
100p	—	23.6	100p	98p	Pitard 9½% Cum. Prf.	98p	—½
[illegible]	F.P.	9.5	[illegible]	[illegible]	Tallies 11½ Cnv. Uns. Ln. '79-83	97	......
£100	Nil	—	1pm	½pm	Telbit 15% Cnv. Uns. Ln. 1985	½pm	—¼
£98¾	£10	—	9½	9⅛	Tyne & Wear 12% Red. 1986	9½	......
£98	F.P.	8 6	98½	97	York Water 11% Deb. 1986	97	—½

"RIGHTS" OFFERS

Issue Price p:	Amount Paid Up	Latest Renunc. Date ●		1978 High	1978 Low	Stock	Closing Price p:	+ or —
36	Nil	23.5	23.6	17½pm	12pm	Brown Boveri Kent	17½pm	+½
50	F.P.	5.5	31/5	134	112	Bullough	134	+4
$.24	Nil	—	—	39pm	33pm	Canadian Imperial Bnk	39pm	+1
150cts	Nil	—	—	2pm	Nil	Deelkraal Gold Mining	1	+1
72	Nil	—	—	30pm	28pm	Horizon Midlands	29pm	+1
105	F.P.	5/5	19.5	144	128	London & Manchester Assurance	144	......
345	Nil	—	—	51pm	41pm	Rowntree Mackintosh	48pm	+½
50	F.P.	15.5	9.6	55	42½	[illegible]	52	......
152	Nil	16.5	13.6	29pm	11pm	Turner & Newall	29pm	+4

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. r Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of Ordinary shares as a "rights" ** Rights by way of capitalisation. †† Minimum tender price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. ‖‖ Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hill Samuel	§ 9 %
Allied Irish Banks Ltd.	9 %	C. Hoare & Co.	† 9 %
American Express Bk.	9 %	Julian S. Hodge	10 %
Amro Bank	9 %	Hongkong & Shanghai	9 %
A P Bank Ltd.	9 %	Industrial Bk. of Scot.	7½%
Henry Ansbacher	9 %	Keyser Ullmann	9 %
Banco de Bilbao	9 %	Knowsley & Co. Ltd.	11½%
Bank of Credit & Cmce.	9 %	Lloyds Bank	9 %
Bank of Cyprus	9 %	London Mercantile	9 %
Bank of N.S.W.	9 %	Edward Manson & Co.	10½%
Banque Belge Ltd.	9 %	Midland Bank	9 %
Banque du Rhone	9½%	■ Samuel Montagu	9 %
Barclays Bank	9 %	■ Morgan Grenfell	9 %
Barnett Christie Ltd.	8½%	National Westminster	9 %
Bremar Holdings Ltd.	10 %	Norwich General Trust	9 %
Brit. Bank of Mid. East	9 %	P. S. Refson & Co.	9 %
■ Brown Shipley	9 %	Rossminster Accept'cs	9 %
Canada Perm't. Trust	9 %	Royal Bk. Canada Trust	9 %
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	9 %
Cayzer Ltd.	9 %	E. S. Schwab	10½%
Cedar Holdings	9½%	Security Trust Co. Ltd.	10 %
■ Charterhouse Japhet	9 %	Shenley Trust	9½%
Choulartons	9 %	Standard Chartered	9 %
C. E. Coates	10 %	Trade Dev. Bank	9 %
Consolidated Credits	7½%	Trustee Savings Bank	9 %
Co-operative Bank	* 9 %	Twentieth Century Bk.	10 %
Corinthian Securities	9 %	United Bank of Kuwait	9 %
Credit Lyonnais	9 %	Whiteaway Laidlaw	9½%
The Cyprus Popular Bk.	9 %	Williams & Glyn's	9 %
Duncan Lawrie	¶ 9 %	Yorkshire Bank	9 %
Eagil Trust	9 %		
English Transcont.	9 %		
First London Secs.	9 %		
First Nat. Fin Corpn.	10 %		
First Nat. Secs. Ltd.	9½%		
■ Antony Gibbs	9 %		
Greyhound Guaranty	9 %		
Grindlays Bank	‡ 9 %		
■ Guinness Mahon	9 %		
■ Hambros Bank	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 6%, 1-month deposits 6½%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 6½% and over £25,000 6¾%.
‡ Call deposits over £1,000 6%.
§ Demand deposits 6½%.
¶ Rate also applies to Sterling Ind. Secs.

APPOINTMENTS

Allied Breweries Board

Mr Kenneth Fergusson has been made personnel director of ALLIED BREWERIES beer division. He becomes a director on the Board of Allied Breweries (UK), Allied's beer division — which embraces Tetley's, Ansells, Ind Coope and Ind Coope (Scotland) — and will be responsible for personnel matters relating to the division's full-time and part-time employees. Mr Fergusson, who will be based at Burton-on-Trent, was appointed regional production distribution director for the company's Leeds and Warrington breweries last year, after 28 years with the Tetley company.

★

Mr M. S. K. Greenway has become an associate director of CAPEL-CURE MYERS, stockbrokers, not Mr N. S. K. Greenway as reported on Friday.

★

Mr Colin T. Smart has joined WALTER WALKER AND CO., stockbrokers, as an associate member.

★

Mr A. E. Ellicott has become administrative partner of BLANKSTONE SINGTON AND CO., stockbrokers.

★

Mr Stewart Douglas-Mann has been appointed a director of CHARTERHOUSE JAPHET from June 12 and will join the corporate finance department. He will be retiring from the Simon and Coates partnership on May 31 to take up this new position.

★

At the annual meeting of the BRITISH TEXTILE CONFEDERATION its president, Dr. Brian Smith, was re-elected for a second term of office. Dr. Smith is chairman of ICI Fibres. The following were appointed officers of the Confederation: Deputy president, Mr. Leonard Regan (chairman, Carrington Viyella): Vice-presidents: Mr. Fred Dyson (general secretary, National Union of Dyers, Bleachers and Textile Workers); Mr. T. W. Hibbert (chairman, Wool extile Delegation and chairman, British Mohair Spinners); Mr. J. D. Nightingale (president, British Textile Employers' Association, and chairman and managing director, the Walsden Printing Company); and Dr. G. B. Turner (chairman, Man-made Fibre Producers' Committee and a director, Courtaulds).

★

Mr. R. F. Atkinson has resigned as a director of PETROCON GROUP.

★

WARNE WRIGHT AND ROWLAND is forming an Executive Committee responsible for most of the day-to-day management of the group. It will comprise: Mr. L. A. Bywater, Mr. D. D. Mills, Mr. P. M. Mody and Mr. M. J. Poole, senior managing directors from the larger subsidiary companies, who have been appointed special directors; Mr. D. B. Pool, group metallurgist—already a special director—and the executive main Board directors: Mr. P. Bennion (group chief executive), Mr. J. H. Cook, Mr. D. F. W. Hanmer, Mr. M. C. Vaughan and Mr. F. T. Wellings.

Mr. A. F. Morris, who has been appointed secretary of Warne Wright and Rowland, was formerly assistant secretary of Quinton Hazell.

This week in Parliament

TO-DAY

COMMONS—Private members' motions.

Town and Country Planning (Windscale and Calder Works) Special Development Order.

Housing (Financial Provisions) (Scotland) Bill, Lords Amendments.

LORDS—Short debates on second report of Select Committee on Practice and Procedure, and on survival of democratic system.

Debate on importance of retaining London as a centre for international arbitration.

SELECT COMMITTEES—Expenditure, Education, Arts and Home Office Sub-committee. Subject: Prison system. Witnesses: Dept. of Health and Social Security. 4.15 p.m. Room 13.

TO-MORROW

COMMONS—Finance Bill, committee stage.

LORDS—Scotland Bill, committee.

Films Bill, second reading.

SELECT COMMITTEES—Nationalised Industries, Sub-committee A. Subject: Innovations in rural bus services. Witnesses: National Bus Company. 4 p.m. Room 8.

Joint Committee on Statutory Instruments. 4.15 p.m. Room 4.

WEDNESDAY

COMMONS—Transport Bill, remaining stages.

LORDS—Orkney Islands Council Order confirmation Bill, report stage.

Scotland Bill, committee.

Internationally Protected Persons Bill, second reading.

Weights and Measures Act 1963 (Potatoes) Order 1978.

SELECT COMMITTEES—Expenditure, Trade and Industry Sub-committee. Subject: Measures to prevent collisions and strandings of noxious cargo carriers in U.K. waters. Witnesses: Corporation of Trinity House. The Hon. Company of Master Mariners. 10.30 a.m. Room 16.

Nationalised Industries, Sub-committee C. Subject: Independent Broadcasting Authority. Witnesses: Association of Cinematograph Television and Allied Technicians. 4 p.m. Home Office witnesses at 5 p.m. Room 8.

Unopposed Private Bill Committee. Subject: Abingdon Market Place Bill (Lords) and Mile End Gardens, Portsmouth, Bill (Lords). 4 p.m. Room 9.

Public Accounts Committee. Subject: Appropriation Accounts. Witnesses: Department of Health and Social Security, Department of Employment. 4 p.m. Room 16.

Joint Committee on Consolidation and Bills. Subject: Adoption (Scotland) Bill (Lords). 4.30 p.m. Room 4.

Nationalised Industries. Sub-committee B. Subject: Electricity supply industry (reorganisation). Witnesses: Electricity Supply Industry, Employees National Committee. 10.45 a.m. Room 8.

THURSDAY

COMMONS—Debate on Industrial Relations in the newspaper industry. Bread Prices (Amendment No. 5) Order.

LORDS—Orkney Islands Council Order, confirmation Bill (Third Reading).

Tuvalu Bill, committee.

Debate on armed forces pay.

Protection of Children Bill, committee.

Debate on future of British nuclear deterrent.

SELECT COMMITTEES — Unopposed Private Bill Committee: Subject: British Railways (Selby) Bill. 11 a.m. Room 9.

Expenditure: General Sub-committee. Subject: Estimates on coal limits. Witnesses: Treasury. 4.15 p.m. Room 8.

FRIDAY

COMMONS — Home Insulation Bill and Solomon Islands (Lords) Bill, second readings.

Independent Broadcasting Authority Bill and Domestic Proceedings and Magistrates Courts Bill (Lords) remaining stages.

LORDS—Inner Urban Areas Bill, second reading.

Pools Competitions Act 1971 (Continuance Order) 1978.

Agricultural Holdings Act 1948 (varition of fourth schedule).

Church of England (Misc. provisions) measure.

MONEY MARKET

Nervous but hopeful

BY COLIN MILLHAM

Recent weeks have not been easy for the Government or the monetary authorities. Financial markets have been dominated by depressing economic news, and any amount of soothing has failed to produce calm conditions.

Every cloud is supposed to have a silver lining, however, and although conditions looked pretty bleak towards the end of last week, all may not be lost.

Good news may turn up for the Government at the end of this week, when the retail price index for April is expected to show a sharp improvement in the rate of inflation, but an even more important event is likely to be publication of the April trade figures to-day.

If the trade figures are as bad as had been suggested in some quarters, matters will become worse, since a further deterioration in the balance of payments position will only confirm fears about the future prospects for the economy.

The latest events have left the money market in a very nervous condition, and discount houses' buying rates for three month Treasury bills indicated a Bank of England Minimum Lending Rate of anything between 9 per cent. and 9½ per cent. for much of last week, with 10 per cent. suggested as a possible level at times.

The final outcome, lifting MLR by only ½ per cent. to 9 per cent., was generally regarded as very good news however, and the announcement on Friday of a new short-dated gilt-edged tap stock, will be seen as a move by the authorities to stabilise the present interest rate structure.

An attempt to establish MLR at its present level has been regarded as a favourable indication for the trade figures, which are now expected to be much better than some earlier estimates.

Good trade figures and an improvement in the rate of inflation could well do the trick of stabilising interest rates around 9 per cent., at least in the short term.

If this is not the case then the money market will almost certainly become very morbid once more.

Nervousness about the future of the economy was fuelled by news last Thursday that the excess growth in the money supply was larger than expected in the last financial year, and by some rather alarming banking figures on Tuesday, showing a sharp rise in eligible liabilities. Fears about the money supply are also causing problems on the other side of the Atlantic, with the resulting higher U.S. interest rates contributing to the softer trend in sterling against the dollar.

The Government's Budget strategy has also suffered a set-back at the hands of the Opposition over the last week, and with the recent doubts cast about the entire moneary policy, any respite in financial markets will be welcomed.

May 12 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	5½-6¾	—	—	—	5¾-6⅛	2½-5½	—	—	—
2 days notice	—	—	7½-7¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	7⅞-8	—	—	—	—
7 days notice	—	6⅞-7¾	7¾-7⅞	—	8⅛-8¾	9	5-6½	—	—	—
One month	[illegible]	8⅝-8⅞	8⅜-8⅝	9¼-8¾	8¾-9	9⅝	7¾	[illegible]	8½	9
Two months	[illegible]	8⅞-9¼	—	9¼-8¾	9-9¼	—	8-8⅛	[illegible]	8¾	9⅛
Three months	[illegible]	9-9½	9-9⅛	9½-8½	9⅜-9⅝	—	8¼	[illegible]	[illegible]	9¼
Six months	[illegible]	[illegible]	9⅝-9¾	9¼-8¾	9¾-10	—	—	—	[illegible]	9½
Nine months	[illegible]	[illegible]	—	9¾-9⅛	10¼	—	—	—	—	—
One year	[illegible]	9¾-10⅛	9⅞-10	9¾-9⅛	10½	—	—	—	—	—
Two years	—	—	10¾-11	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. [illegible] Treasury Bills: Average tender rates of discount [illegible] per cent.

FOREIGN EXCHANGES

May 12	Bank Rate %	Day's Spread	Close
New York	[illegible]	[illegible]	[illegible]
Montreal	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]
Copenhagen	[illegible]	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]	[illegible]
Madrid	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]
Oslo	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]
Stockholm	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]
Vienna	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]

‡ Rates given for convertible francs. Financial franc [illegible].

CURRENCY RATES

	Special Drawing Rights May 12	European Unit of Account May 12
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austria sch.	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]
Norwgn. krone	[illegible]	[illegible]
Spanish peseta	[illegible]	[illegible]
Swedish krona	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]

GOLD MARKET

	May 12	May 11
Gold Bullion (a fine ounce)		
Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fixing	[illegible]	[illegible]
Afternoon fixing	[illegible]	[illegible]
Gold Coins, domestically		
Krugerrand	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]
Old Sovereigns	[illegible]	[illegible]
Gold Coins, internationally		
Krugerrand	[illegible]	[illegible]
New Sov'reigns	[illegible]	[illegible]
Old Sov'reigns	[illegible]	[illegible]
$20 Eagles	[illegible]	[illegible]

EXCHANGE CROSS-RATES

May 12	Frankfurt	New York	Paris	Brussels	London	Amst'dam	Zurich
Frankfurt	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New York	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]	[illegible]
London	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]
Amst'dam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

U.S. $ in Toronto U.S. $ = [illegible] Canadian cents. Canadian $ in New York = [illegible] cents. U.S. $ in Milan [illegible]. Sterling in Milan [illegible].

OTHER MARKETS

		Note Rates
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxemb'rg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Arab.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Africa	[illegible]	[illegible]

Rate given for Argentina is a free rate.

EURO-CURRENCY INTEREST RATES*

May 12	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German mark
† Short term	8-9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days notice	9-10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Euro-French deposit rates: two-day [illegible] per cent; seven-day [illegible] per cent; one-month [illegible] per cent; three-month [illegible] per cent; six-month [illegible] per cent; one-year [illegible] per cent.

Long-term Eurodollar deposits: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent.

The following nominal rates were quoted for London dollar certificates of deposit: one-month [illegible] per cent; three-month [illegible] per cent; six-month [illegible] per cent; one-year [illegible] per cent.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs.

FORWARD RATES

	One month	Three months
New York	[illegible]	[illegible]
Montreal	[illegible]	[illegible]
Amst'dam	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
Cop'nh'gn	[illegible]	[illegible]
Frankfurt	[illegible]	[illegible]
Lisbon	[illegible]	[illegible]
Madrid	[illegible]	[illegible]
Milan	[illegible]	[illegible]
Oslo	[illegible]	[illegible]
Paris	[illegible]	[illegible]
Stockh'lm	[illegible]	[illegible]
Vienna	[illegible]	[illegible]
Zurich	[illegible]	[illegible]

Six-month forward dollar [illegible]. 12-month [illegible].

MINING NOTEBOOK

An on-the-spot look at Rossing uranium

BY LODESTAR

THE SHARES of Rio Tinto-Zinc have been a firm market recently. On Friday they were 209p. Our Mining Editor, Kenneth Marston, has been having an on-the-spot look at one of the group's future revenue growth prospects, the controversial Rossing uranium mine in Namibia, formerly South-West Africa.

The chairman, Mr. Ronnie Walker, told Marston in Swakopmund that Rossing was eminently viable and would remain so. He confirmed that it would move out of the red to make a small profit this year. Next year is regarded as one of consolidation when there will be both a cash and profit flow.

But, asked when Rossing would attain its full capacity production rate of 5,000 short tons of uranium oxide per annum, Mr. Walker would not be more precise than "some time in 1979." Last year's output was about 3,000 tons with substantially more expected this year.

South African security regulations prevent the release of more specific current production figures. Nor can details be given of Rossing's export contracts and prices. But Mr. Walker did reveal that costs at this big low-grade mine are running at about $20 per pound of uranium oxide, including interest charges but not depreciation.

World prices for spot sales are now over $40 a pound but long-term contracts being arranged throughout the world are thought to be more in the $25 region. Existing producer contracts are at much lower levels, but a good deal of renegotiation of these has been taking place.

Rossing's well-publicised production problems since the mine started in 1976 have stemmed from a number of causes. The main ones have been low-quality labour, low and erratic ore grades, and ore with a higher than expected abrasiveness. In addition, Marston reckons there may have been an element of overhaste in getting to production and some corner-cutting on the financial side. In fact, it has not been a happy story.

The technical difficulties have now been largely overcome, but labour problems remain. Although Rossing is a multi-racial mine with wage rates geared to jobs and not to skin colour, it has been sadly lacking in skilled workers. This has been particularly noticeable in the white foremen class, most of which is derived from South Africa.

Men from there are reluctant to work in a country which is approaching a major political change with all the uncertainties and fears that this arouses.

The management is going a long way to meet African aspirations with spending estimated at about R30m (£19m) by the end of this year on family housing for all employees and all the infrastructure that goes with it. Rossing certainly deserves to succeed, Marston concludes.

Pacific Copper

The shares of Canada's Pacific Copper Mines drifted lower after I last wrote about them in February, when they stood at $2 in Toronto. But they have rallied smartly recently to $2.28 on talk of a uranium exploration deal. This is now confirmed. An agreement giving a 90 per cent. equity stake has been signed with an Alberta company, covering approximately 10,000 acres 65 miles east of Yellowknife in the Northwest Territories.

The property, it is stated, is indicated by a recently completed airborne geometric survey to have a high uranium content. An additional exploration programme is being planned.

In Australia PCM's offshoot Pacific Copper is completing negotiations for a five-year marketing contract with a British-based ore buyer covering the future production of the Torrington tungsten property in New South Wales in which Hampton Areas has an interest. Further details are promised soon.

As regards its recently acquired coal project at Singleton in NSW, Pacific Copper is nearing agreement with a major producer for a contract to purchase its existing and expanded output as well as providing for all ongoing development capital. The deposit is estimated to contain 125m tonnes. Work is in progress to prove additional amounts of high-energy steaming coals.

One thing shareholders cannot charge the PCM group management with is lack of activity. If only by the law of averages one of their many endeavours should develop the money-making capabilities that will give the shares more substance. Those of the Australian company, in which there is a considerable holding on this side of the world, stand at 35p in London.

Also pursuing an active role in the search for new mining projects is the Canadian-Irish Northgate Exploration group. The annual report underlines the need for fresh productive ventures. The Tynagh lead-zinc mine in Co. Galway, which touched off the original Irish mining boom way back in the 60s, is likely to close down by the end of next year at the latest.

The shares of the group which includes Anglo United, in which the parent company has a 24 per cent stake, have been stimulated recently by news of a "zone of significant radiometric readings" in Donegal. But no ore-grade uranium assays have yet been obtained.

This has not prevented Anglo United shares becoming a lively market. On Friday they were 125p compared with 108p when I first commented on the find last month. Northgate have also gone ahead to 355p from 245p earlier this year.

The parent company is still a cash-rich take-over target with working capital at end-1977 of $C26m (£12.8m) even after last year's return to the dividend list with a payment of 25 US cents. Have money but still looking for somewhere to go continues to be the tag attaching to Northgate.

★ ★ ★

Tomorrow evening Mr. Peter Howe, head of A.C.A. Howe International, will be addressing a gathering in London with the theme "exploration is awakening from its long dull slumber," a welcome message indeed. He is opening a London office in charge of which will be Dr. Calvert Armstrong who found Pan-continental's big Jabiluka uranium deposit when he was Howe's chief geologist.

INSURANCE

BY OUR INSURANCE CORRESPONDENT

Solicitors' insurers on a loser

INSURANCE IS all about the establishment of funds by the many to pay for the misfortunes of the few. On that fundamental we can all agree. After this the going gets more difficult particularly when we start discussing the levels of contribution by individual members.

However, the majority view is clear, that the proven sub-standard risk who makes regular, frequent demands or even occasional substantial claims on the fund should contribute more than his non-claiming neighbour.

Thie view is maintained by all in the private insurance sector whether providing commercial or personal cover. The National Insurance scheme provides the one substantial exception here in Britain; the state scheme could scarcely be run on any individual rating basis.

Hunch

At one time discrimination was achieved more by underwriting hunch than by accurate statistics, but nowadays, even if they were not themselves moved by an appreciation of the value of such statistics, insurers face a nearly universal demand from all categories of policy holders for statistical justification.

This demand is reinforced, for example, by the Department of Trade's supervision of motor insurance rates, and statutorily required in matters of sex discrimination, by specific legislation.

When insurers have experience over a number of years with a reasonable spread of risks in a particular category it is relatively easy for them to develop rating structures from their known statistical base—rating structures that are justifiable to supervising authorities and potential policyholders and also potentially profitable to insurers.

And when insurers with little or no experience and are setting up a new scheme, both sides may have to take the rough with the smooth, and indeed many non-claiming policy holders may have to pay a high price in helping to develop the statistics that will ultimately show they have in fact paid too much.

A good illustration of the problems of starting a new scheme from scratch is provided by the solicitors' compulsory profesisonal indemnity scheme.

In 1975 the Law Society decided that every solicitor practising in England and Wales would have to purchase professional indemnity cover, not from his own personally-selected insurer but under a special scheme arranged by the Law Society. There was a run-in period when solicitors insured elsewhere had to let their cover lapse and join the national scheme, and membership became compulsory in September, 1976.

In 1975 the insurance consortium underwriting the scheme had optimistically set its premiums at £310 per partner and £387.50 for the individual practitioner. It had also said that at the anniversaries in 1976 and 1977 these rates would be increased by 12½ per cent of the previous year's figure or by 75 per cent. of the percentage increase in the official retail price index, whichever was the greater.

How bad a bargain insurers had made quickly became apparent, and by the end of last year the writing was on the wall for the solicitors when it was disclosed that claims paid and outstanding were some £2m. in excess of the premiums then collected.

Recently, more and more daunting figures have been produced. The earned premiums for the first compulsory insurance year amounted to just under £7m., while claims settled by the end of February of this year amounted to £1.25m. and claims outstanding and quantified amounted to £9.35m.

Because professional indemnity claims are often slow to surface, insurers reckon that the proper allowance for claims incurred but not reported may well bring the total cost of establishing adequate reserves to £14m. or more.

So from September 1 onwards inner-London solicitors will each have to pay £888 for cover, while those more fortunately located will pay £658. In addition, the excess per claim is to be raised from £250 to £400.

Meantime, many of those solicitors with claim-free records who insured relatively cheaply outside the scheme before 1976 must be wondering what further premium uplifts 1979/1980 will bring.

To them it must be small consolation that the Law Society and its insurers are now accumulating a deal of evidence emphasising the need for stricter enforcement of higher professional standards, which may ultimately help to reduce premiums.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barking (01-592 4500)	10¾	½-year	5,000	4-6
Barnsley Metro. (0226 203232)	10	½-year	250	4-7
Knowsley (051 5486555)	11	½-year	1,000	5-7
Oxford (0865 49811)	10½	½-year	5,000	5-7
Poole (02013 5151)	10½	½-year	500	5
Poole (02013 5151)	10¾	½-year	500	6-7
Redbridge (01-478 3020)	10½	½-year	200	5-7
Southend (0702 49451)	10	½-year	250	3
Thurrock (0375 5122)	11	½-year	300	4
Thurrock (0375 5122)	11¼	½-year	300	5-7
Wrekin (0952 505051)	11	yearly	1,000	5

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£25,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 19.5.78.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10½	10¾	11	11¼	11½	11¾	12	12¼

Rates for larger amounts on request. Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

INTL. FINANCIAL AND COMPANY NEWS

Outlook for Dutch shipping industry stays depressed

BY CHARLES BATCHELOR

AMSTERDAM, May 14.

THE DUTCH shipping industry will extract small comfort from the latest pronouncements from two of the countries major companies, KNSM and Holland Amerika.

At KNSM the current year has started "unfavourably" following a drop from Fl 8.7m to Fl 1.9m ($0.84m) in net profits in 1977. HAL, which lost Fl 22.4m ($10m) last year, expects to return another loss in 1978.

The results in almost all of KNSM's areas of activity — transAtlantic and European trades, heavy transport and air transport —were disappointing, the company said in its annual report. And the depressed level of activity continued into the current year.

The European division is expected to achieve a considerable reduction in losses on short liner trades while the result of the air travel activities, will improve. But no significant upturn in the transAtlantic division will occur in the next few months while the result in heavy transport will be lower.

Last year the return on shareholders' equity fell to 0.8 per cent from 3.6 per cent. Sales fell Fl 18m to Fl 744m. Net profit per share fell to Fl 5.16 from Fl 23.09 and the company proposes passing its dividend after paying Fl 9 in 1976.

The transAtlantic division, which is the largest, accounting for more than half of total turnover, experienced a decline in freight volumes on Europe to South Central American routes while harbour congestion and higher port dues also increased costs.

KNSM has ordered a second container ship for is Caribbean services for delivery in 1980. The vessel, which will be built at the Dutch yard, Van der Giessen-de Noord, will have a capacity of 1,500 containers. KNSM recently took delivery of a similar vessel from a Polish yard.

Losses are continuing at HAL despite an improvement in its tourism and among the trading divisions. However, the integration of two cruise lines should lead to some recovery this year.

The trading activities are also expected to improve with a broad spread of operations compensating for the low level of economic activity in Holland. HAL is cautious about making a forecast for its special transport sector where competition is increasing.

Last year's loss compares with a net profit of Fl 34.1m in 1976. Turnover in the trading division rose 35 per cent to Fl 162m while tourism and special transport turnover was practically unchanged at Fl 261m. and Fl 94m respectively.

A large part of 1977's overall loss was due to the Irish shipyard subsidiary Ross Company which has subsequently been sold.

Further loss from Viscosuisse

BY JOHN WICKS

ZURICH, May 14.

A FURTHER loss of SwFr2.5m ($1.26m) was recorded last year by the Swiss fibres producer Viscosuisse AG, of Emmenbruecke. This follows a loss of SwFr 2.56m in 1976. The company is Switzerland's biggest textiles manufacturer and a subsidiary of the French Rhone-Poulenc group.

Consolidated turnover fell from SwFr436m to SwFr420m over the year. This fall in sales value, which was accompanied by a slight improvement in sales volume, resulted from the continuation of the international crisis in the man-made fibres market coupled with the upswing in the Swiss Franc exchange rate in the second half of the year. Actual production rose slightly in 1977 to 53,300 (53,000) tonnes of synthetic and viscose filaments.

* * *

A STAKE in the Geneva private bank Perrier Lullin et Cie has been acquired by Swiss Bank Corporation, of Basle. As from July 1, the Geneva bank will take up the form of a limited company (Societe Anonyme) and continue its existing operations, which are centred on portfolio management, in co-operation with Swiss Bank Corporation.

The connection with the big bank was sought by the 183-year-old Perrier Lullin in view of the desire to "expand and internationalise its business." Perrier Lullin will retain its management independence and its present staff.

At the same time, the Basle-based private bank A. Sarasin et Cie is to take over the Zurich private banking house Blankart et Cie, also as of July 1. The Zurich bank will continue its activities under the name of Sarasin, its present partners to become limited partners and managers in the Sarasin Bank.

Sarasin opened a Zurich branch four years ago. Its interest in Blankart is apparently connected with Blankart's stockbroking licence on the Zurich bourse.

Bayerische Landesbank volume tops $30bn mark

By Our Financial Staff

BAYERISCHE Landesbank Girozentrale expects 1978 to produce a satisfactory result. Business volume during the opening four months of this year has breached the DM 60bn ($30bn) level.

In the first three months credit volume rose with local authority and house construction credit demand especially strong. Total credit volume in 1977 climbed 15.3 per cent to DM 34.05bn, with claims on customers rising 7.1 per cent to 26.77bn. Overall the first quarter was up to budget.

The bank plans only modest expansion in its foreign business this year even though it has "some ground" to make up on other major banks in this field. It expects to convert its London representation into a branch office in the course of the year, while the creation of a representative office in New York is under consideration.

Recent discussion of the foreign role of German Landesbanks has not caused the bank to alter its policies in this area. It remains committed to maintaining foreign operations out of commercial necessity and responsibility to its domestic customers.

In 1977 the bank's net profits rose to DM 146.2m from DM 132m At the end of last year the balance sheet total stood at DM 52.9m ($26.5m), a rise of 13.4 per cent over the end 1976 level.

* * *

Operating earnings of Commerzbank AG, including those from trading on the bank's own account, were higher in the first quarter, Robert Dhom, management board speaker, told the annual shareholders' meeting. Steady interest margins coupled with an increase in business volume led to a 10 per cent rise in the bank's interest surplus in the opening three months of 1978.

Swiss ease curbs on share purchases

By John Wicks

ZURICH, May 14.

PROCEEDS FROM the sale of Swiss shares by non-residents will, as from next Tuesday, be able to be used for the purchase of other Swiss shares to the same value. This easing of the curbs on non-residents' purchases of Swiss securities was decided on at a meeting of the directorate of the Swiss National Bank.

When the ban was introduced at the end of this February, it had been made impossible for foreigners to carry out a swap transaction of this kind. The rules foresaw an absolute ban on the acquisition of domestic bonds and forbad all but exceptional purchases of Swiss shares. The share market and the secondary bond market have been adversely affected by the restrictions imposed by the ban which came into effect in February.

The national bank has always made it clear that it was very reluctant to re-introduce the rules restricting non-resident investments, which had been in force in a rather milder form in the years 1972-74 period. Recently, national bank president Dr. Fritz Leutwiler indicated that the ban could be lifted entirely should the dollar strengthen to Sw.Frs.2.

SEC options warning

WASHINGTON, May 14.

THE Securities and Exchange Commission has warned US investors of potential dangers if they invest in the new foreign stock options market which opened in Amsterdam last month. The SEC said since it has no effective regulatory control over the Amsterdam Market in traded options, there could be some problems for US investors. It did not elaborate.

The SEC said stock options traded on the European Options Exchange (EOE) are not registered with the commission and cannot be legally offered or sold in the US. If the unregistered options are publicly offered, distributed or sold within the US they will be added to the SEC's foreign restricted list of securities.

Broker-dealers who purchase for their own account options which are not the subject of an effective registration statement, nor exempted from the registration requirements of the Securities Act, are reminded that because such options are not readily marketable in the US they will "receive no value on such options for net capital purposes."

Bankruptcies in Japan

TOKYO, May 14.

JAPAN'S corporate bankruptcies totalled 1,341 cases in April, down 11.7 per cent from March and 15.2 per cent lower than the same month in 1977, according to Teikoku Koshinsho, a private corporate credit inquiry agency. Liabilities left by the bankrupt companies in April totalled Y236.657bn, down 2.7 per cent from the Y243.166bn. in March and down 5.6 per cent from the Y251.383bn of April 1977.

Bruxelles Lambert

GROUPE Bruxelles Lambert SA chairman Baron Lambert said that he expects a net consolidated profit of over BFrs 200 per share for 1978, writes Reuter from Brussels.

He told the annual meeting, which approved a net dividend of BFrs 90 for 1977, against BFrs 110 for 1976, that lower profits last year were the result of the poor economic climate and changes in the group's structure.

Lambert said, however, that he believes that this was a temporary situation and that the group would continue to expand.

He said that the group lost money last year on European and US commercial deals, while certain sectors, such as steel, had been hit by the crisis.

Rhone-Poulenc deal

PARIS, May 12.

French chemical group Rhone-Poulenc has purchased the 50 per cent. stake held by Union Carbide Corp. of the U.S. in their joint French subsidiary Tamino S.A. Tamino, which makes molecular sieves (absorbents used for drying and purification) is capitalised at Frs.2.76m.

New York SE

FIRST quarter net revenues for the New York Stock Exchange fell to $521,000 from $1.1m Total exchange revenues in the opening three months eased 4.3 per cent to $20m, while revenues from charges on commissions fell 23.9 per cent to $4.08m, primarily reflecting a 10.8 per cent reduction in average daily trading volume and a 9 per cent reduction in the average price per share traded.

BEKER INDUSTRIES

First Quarter	1978 $	1977 $
Revenue	48.0m.	40.2m.
Net profits	*2.32m.	0.19m.
Net per share	—	0.02

* Loss.

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Editorial Synopsis

Introduction A general review of Britain's export performance in the past year; our share of world trade; the impact of fluctuating currencies; the major success stories; the outlook for world trade and Britain's share in it.

The Industries This section will deal in some detail with the industries which provide the major part of the country's exports. The first article in the section will examine the composition of the major sectors. This will be followed by a series of articles examining the performance of these sectors, their share of the world markets, their main competitors, their strengths and weaknesses, and the prospects and problems which they face in the coming year. These individual sector articles will include: Mechanical engineering/Aerospace/The motor industry/Textiles and clothing/Electrical engineering/Electronics/Chemicals.

The Companies This section will examine the role of individual companies in the country's export effort. The first article in this section will examine the structure of exports in terms of size of company, indicating the importance of the hundred largest exporters. This will be followed by a series of profiles of six successful exporters of varying sizes; these profiles will discuss the way these companies manage their export sales, their attitudes towards export business and their plans for the future.
This section will also include a number of shorter articles on some of the major export contracts which have been secured by British companies in the past year.

The Markets This section will analyse the geographical pattern of the country's exports, showing which areas have shown the most growth in the past year and discussing likely changes in the direction of exports. The first article in the section will be followed by a more detailed look at the main areas, noting the special trading problems which some of these territories present, the strength of overseas competition and the exporting strategies that seem most likely to succeed. There will be separate articles on the following areas: North America/Western Europe/Eastern Europe/Middle East/Far East/Japan/Africa/Australasia/Latin America.

The Financing of Exports The role of the clearing banks. A look at how the banks deal with the financial problems of exporters, including the special problems posed by performance bonds and other difficult contract conditions.
The role of the merchant banks. A look at how merchant banks assist their clients to devise financial packages which are often as important in winning the business as the quality and price of the products.
The role of ECGD. A look at how ECGD has widened and improved its range of services to cope with changing conditions.
Floating currencies. How the world of floating currencies has complicated the exporter's life; the impact on pricing policies; how exporters can protect themselves against changing currency values.

The Role of Government The Department of Trade. How the Department helps exporters; the range of services and financial assistance; how exporters use these facilities.
The industrial strategy. A number of Government's sector working parties have made recommendations designed to stimulate exports; are these suggestions likely to be implemented and what effect will they have?
The competition. Is it true that other countries' governments provide more support to exporters than our own?
A comparison of the service provided and the policies pursued.

Invisible Earnings The concluding section will look at the importance of invisible earnings in the country's trade performance and their growth prospects.

A FINANCIAL TIMES SURVEY

BRITISH EXPORTS-TUESDAY JUNE 27 1978

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.
Tel: 01-248 8000. Telex 885033 FINTIM G.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

COMPANY MEETINGS—
Boddingtons Brews., Lesser Free Trade Hall, Manchester, 11.30
CSC Inv. Tst., 44, Bloomsbury Square, W.C., 2.30
Home Counties Newspapers, 75, Castle Street, Luton, 12
Ocean Transport and Trdg., India Buildings Liverpool, 2.30
Tube Invs., Midland Hotel, Birmingham 12

DIVIDEND & INTEREST PAYMENTS—
Aberdeen 3pc Rd. 1965-85 1½pc
Agricultural Mtg. 9½pcDb. 1965-87 4¾pc
Allen Harvey and Ross 4pcPtg.Pf. 1.4p
Alliance Tst. Db. 1¼ 2½pc
BOC Intnl. Db. 2½ 3½pc
Barclays Bank Ln. 4¼pc
Barnet 7¼pcRd. 1978 3⅝pc. Do. 7¼pcRd. 1982-84 3⅝pc
Beattie (James) Db. 3½pc
Beazer (C. H.) 1.65p
Birmingham and District Inv. Tst. Db. 2¼pc
Blaenau Gwent 11⅝pcBds. Rd. 7 5 80 5[illegible]pc
Borg Warner 45cts.
Boulton (William) 0.55p
Brit. Aluminium Crd. and Shs. 20p
Brit. Assets Tst. 2pc
Brit. Elec. 3½pcGtd. 1976-79 1¾pc
Brit. Inv. Tst. 1¼pc
Brit. Sidac Db. 2½pc
Brunswick Cpn. 17½cts.
Burt Boulton Db. 3½pc
Cardiff 7pcRd. 1979-82 3½pc
Chase Manhattan 55cts.
Clydesdale Inv. Db. 2½ (1955 or after) 2½ (1958-78) 2½pc (1959-1979) 25cts.
Colgate Palmolive 25cts.
Con. London 13½pc 1983 6¾pc
Croydon 6¾pc Rd. 1978-81 3⅜pc
Dufay Bitumastic 0.9895p
Dundee Annuities Police 3½pcDb. 1¾pc. Do. Water 3½pcDb. 1¾pc. Do. Gas 3½pc Db. 1¾pc
Edinburgh American Assets Tst. Db. 2½pc
Esso Petroleum Db. 3pc
Finance for Ind. Ln. 7pc (1979)
Forths Ports Authority 3¼pcFundedDebt 1⅝pc
Friedland Doggart 1.927p
Gen. and Comml. Inv. Tst. Db. 2pc
Glasgow 3½pcIrrd. 1¾pc. Do. 9¼pcRd. 1980-82 4⅝pc. Do. Gas 6¾pcAnn. (Prp.) 3⅜pc. Do. Gas 9pcAnn. (Prp.) 4½pc. Do. Waterworks (Ann. Funded Debt 4pc 2pc. Do. Waterworks Funded Debt 3½pc 1¾pc
Gloucestershire 9¼pcBds. 1979-8[illegible] 4[illegible]pc
Goodyear Tyre and Rubber (G.B.) Db. 2½pc
Grant (James) (East) Db. 3¼pc
Hambros Inv. Tst. 5pcPf. 1.75pc
Hamilyn Angus Milling Db. 2½pc
Hume 7½pcPf. 2.45pc
Ind. and Gen. Tst. Cnv.Db. 1¼pc
Inv. Tst. 4½pcPf. 1.575pc
Investors Cap. Tst. Db. 2pc
Islington 13½pcRd. 1982 6¾pc
Kenya 4½pc 1971-78 2¼pc
Leeds 7½pcRd. 1977-78 3¾pc
Liverpool 9½pc 1980-84 4¾pc
Maidstone 6¾pcRd. 1979-81 3⅜pc
Nash (William) 6½pcPf. 2.275pc
Natl. Dev. Ln. 5½pc 1979-84 2¾pc
Newman-Tonks 0.9p
Nrthrn. Ireland 7pcExchen. 1982-84 3½pc
Peninsular and Oriental Steam Navigation Ch. 1975-80 2½pc
Scottish Eastern Inv. Tst. 4½pcPf.Db. 2¼pc. Do. Prp. 2pc
Scottish Mtg. and Tst. Db. 2¼ 2½pc
Scottish Nthrn. Inv. Tst. Db. 1962 or after 1½pc. Do. 1976-80 1½pc
Scottish Utd. Investors Db. 2¼pc
South Pembrokeshire 11⅝pcBds. Rd. 7/5/80 5[illegible]pc
Staff Potteries Water Brd. 11½pc Rd. 1981 5¾pc
Swansea 9¼pc 1978-80 4⅝pc
Trafford Park Estates 1.55741p
Treasury Ln. 12¾pc 1995 6⅜pc
Uniroyal Db. 2½pc
United Cpn. 16cts. Do. 1stPfd. 37cts. Do. 5pcCum.2ndPfd. 37cts.
Utd. Oceans Ord. A 12cts. Do. 6pcPtg. Pf. 1pc
Utd. Wire 2p
Warwickshire 12½pcRd. 1980 6¼pc
W. Hertfordshire Main Drainage 9¼pc Rd. 1981-83 4⅝pc
Youghal Carpets 7½pcPf. (Inc. Supp. Dist. of 0.7702p) 3.2077pc
Zapata 7.5cts.

BOARD MEETINGS—
Finals:
Alpine
Dunbee-Combex-Marx
French Kier
Headlam Sims and Coggins
Hield Bros.
Young Companies Inv. Tst.
Interims:
Davenports Brewery
NuS Newsagents

TO-MORROW

COMPANY MEETINGS—
Ash and Lacy, Albany Hotel, Birmingham, 6.15
Assoc. Biscuit Mfrs., Great Western Royal Hotel, ..., 12.30
Brit. Enkalon, The Hyde Park Hotel, Knightsbridge, S.W., 3.15
Brixton Estates, 22-24, Ely Place, E.C., 12
Chersonese (FMS) Estates Plantation House 10-15, Mincing Lane, E.C., 12
Oil Exploration, Abercorn Rooms, Great Eastern Hotel, E.C., 3
Padang Senang Rubber, Tubs Hill House, Sevenoaks, 12
Wilkinson Inds., The Ballroom Lounge, Dorchester Hotel, W., 11

DIVIDEND & INTEREST PAYMENTS—
Alliance Inv. 6pcPf. 2.1pc
Armstrong Equipt., 0.8p
Beaconsfield 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Birmingham 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Boddingtons Breweries 1.9092p
Braintree 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Brentwood 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Brighton 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Burnley 6⅝pcBds. Rd. 22.11/78 3[illegible]pc
CSC Inv. Tst. 2.5p
Cheltenham 9½pcBds. Rd. 12/11 80 4¾pc
Commerzbank Aktiengesellschaft 8.5p. Do. Certs. Dep. Br. S. G. Warburg 1.7p
Copeland 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Kirklees 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
New Forest 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Northampton 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Padang Senang Rubber 1.15p
Ransomes Sims and Jefferies 6.038p
Rhymney Valley 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Ribble Valley 10½pcBds. Rd. 10 11/82 5¼pc
Rochdale 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Sefton 6⅝pcBds. Rd. 22/11 78 3[illegible]pc
Southwark 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Sperry Rand 28cts.
Staffordshire 6⅝pcBds. Rd. 22.11.78 3[illegible]pc
Tandridge 9½pcBds. Rd. 12.11.80 4¾pc
Tube Invs. 11.124p
Wolverhampton 10¼pcBds. Rd. 11.11.81 5⅛pc

BOARD MEETINGS—
Finals:
Blockleys
Brit. Vending Inds.
Bunzl Pulp and Paper
Cakebread Robey
Coats Patons
Fidelity Radio
Foster Brothers Clothing
Furness Withy
Hambros Inv. Tst.
Heath (C. E.)
Kwik-Fit
Lee Cooper
Panto (P.)
Runciman (Walter)
Secombe Marshall and Campion
Interims:
Concentree
Land Investors
Pentland Inv. Tst.
Ranks Hovis McDougall
Stakis (Reo) Orgn.
Trafalgar House
Yorkshire and Lancashire Inv. Tst.

WEDNESDAY, MAY 17

COMPANY MEETINGS—
Barton and Sons, Penns Hall Hotel, Sutton Coldfield 12.30
Brittains, North Stafford Hotel Stoke-on-Trent, 3
Christies Intl., 8, King Street, St. James's, S.W., 3
Derada, Hotel Inter Continental, Hyde Park Corner, W., 12.30
Edwards (Louis C.), Manchester Chamber of Commerce, Manchester, 11
Electrical and Ind. Inv., Stratton House, Piccadilly W., 4
Gaskell (Bacup), Saxon Inn Motor Hotel, Blackburn, 12
Jones (A. A.) and Shipman, Narborough Road South, Leicester, 2.15
Legal and General Ass. Soc., Temple Court, 11, Queen Victoria Street, E.C., 2.30
London and Manchester Ass., Skinner's Hall, Dowgate Hill E.C., 12
Metal Closures, Inn on the Park, Park Lane, W., 12
Rockware, Winchester House, 100 Old Broad Street, E.C., 3
Sharna Ware, Midland Hotel, Manchester, 12.30
Slough Estates, Abraham Lincoln Room Savoy Hotel, Strand, W.C., 2.30
Stag Furniture, Albany Hotel, Nottingham, 12
Unilever, 14-20, St. Mary Axe, E.C., 11
Wilmot Breeden, Amington Road, Birmingham 12

DIVIDEND & INTEREST PAYMENTS—
American Medical Intnl. 15cts.
Armitage Bros. 16.09p
Banff and Buchan 9¾pcBds. Rd. 17 5/78 £4.8416
Brittains 0.8p
Burns-Anderson 0.4p
Chersonese (FMS) Estates 2p
Chiltern 9¾pcBds. Rd. 17 5 78 £4.8416
Commercial Union Ass. 5.081p
Cumbernauld and Kilsyth 9¾pcBds. Rd. 17 5 78 £4.8416
Doncaster 9¾pcBds. Rd. 17/5 78 £4.8416
Gaskell (Bacup) 3.78p
Glasgow 9¾pcBds. Rd. 17 5 78 £4.8416
Gravesham 9¾pcBds. Rd. 17 5 78 £4.8416
Greenwich 9¾pcBds. Rd. 17 5 78 £4.8416
Hertfordshire 9¾pcBds. Rd. 17/5/78 £4.8416
Home Counties Newspapers 3.25p
Jacobs (John I.) 1.299506p
Leicester 9¾pcBds. Rd. 17 5 78 £4.8416
Lliw Valley 9½pcBds. Rd. 12 11 80 4¾pc
Luton 9¾pcBds. Rd. 17 5 78 £4.8416
Macfarlane (Clansman) 2.025p
Merrill Lynch Inc. 22cts.
Redbridge 9¾pcBds. Rd. 17/5 78 £4.8416
Rochdale 9¾pcBds. Rd. 17 5 78 £4.8416
Stoke-on-Trent 9¾pcBds. Rd. 17 5 78 £4.8416
Tandridge 9¾pcBds. Rd. 17 5/78 £4.8416
Tendring 9¾pcBds. Rd. 17 5 78 £4.8416
Treasury Ln. 9pc 1994 4½pc
Vale of Glamorgan 9¾pcBds. Rd. 17 5 78 £4.8416
Variable Rate Treasury 1981 £3.07
W. Yorkshire 9¾pcBds. Rd. 17/5/78 £4.8416
Wigan 9¾pcBds. Rd. 17 5 78 £4.8416

BOARD MEETINGS—
Finals:
Cater Ryder
Chamberlin and Hill
City of Oxford Inv. Tst.
Duport
Folkes (John) Hefo
Hartwells
London and Lennox Inv. Tst.
London Tst.
Readicut Intnl.
Stonehill
Utd. Eng. Inds.
Whitbread
Interims:
Central Mfg. and Trdg.
Gleeson (M. J.) (Contractors)
Northern American Tst.

THURSDAY, MAY 18

COMPANY MEETINGS—
APV, New Zealand House, Haymarket, S.W., 11.45
BBA, Norfolk Gardens Hotel, Bradford, 11.30
Bifurcated Eng., Mandeville Road, Aylesbury, Bucks., 12
Booker McConnell, 69, Cannon Street, E.C., 12
Boot (Henry) and Sons, Banner Cross Hall, Sheffield, 12
Brammer (H.), Midland Hotel, Manchester, 11
Callender (George M.), Winchester House, 100, Old Broad Street, E.C., 11.30
Delta Metal, Adelphi Suite, Waldorf Hotel, Aldwych, W.C., 12
Dew (G.), Featherstall Road South, Oldham, Lancs., 12
Erith, 530, High Road, Leytonstone E., 12
Expanded Metal, Tower Suite, Tower Hotel, St. Katherines Way E., 12.30
Hepworth Ceramic, Charing Cross Hotel, W.C., 12
Jerome (S.) and Sons, Post House, Bramhope 12.30
Johnson Grp. Cleaners, Great Eastern Hotel, E.C., 12
Norvic Secs., City Suite, Hotel Norwich, Norwich, 12.30
Senior Eng., Connaught Rooms, Great Queen Street, W.C., 12
Spirax-Sarco Eng., Queen's Hotel, Cheltenham, 12.45
Wolf Electric Tools, Pioneer Works, Hanger Lane, W., 12

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mt. Var. Rate Bds. 12/11 82 £3.3938
BTR Intnl. 4.62p
Boot (Henry) 6.6839p
Broxtowe 10½pcBds. Rd. 16 5 79 5¼pc
Canterbury 11⅜pcBds. Rd. 14/5/80 5[illegible]pc
Corah 1.05133p
Dover 12½pcBds. Rd. 13 5 81 6¼pc
Erith 3.64059p
Harrow 10½pcBds. Rd. 16 5.79 5¼pc
Hawker Marris 4.67p
Hereford 11⅜pcBds. Rd. 14 5 80 5[illegible]pc
Huntingdon 11⅜pcBds. Rd. 14/5/80 5[illegible]pc
Hynburn 11⅜pcBds. Rd. 14/5/80 5[illegible]pc
Kraft Prod. 0.33p
Lambeth 10½pcBds. Rd. 16/5 79 5¼pc
Lothian 10½pcBds. Rd. 16 5/79 5¼pc
Manchester 10½pcBds. Rd. 16 5 79 5¼pc
Marconair Intnl. 1.75p
Matthews (Bernard) 5.15p
Merchants Tst. 1.6p
Perth and Kinross 10½pcBds. Rd. 16 5 79 5¼pc. Do. 11⅜pcBds. Rd. 14 5 80 5[illegible]pc
Rockware 3.2845p
Sirdar 1.26p
Vale Royal 11⅜pcBds. Rd. 14 5 80 5[illegible]pc
Warwick 11⅜pcBds. Rd. 14 5 80 5[illegible]pc

BOARD MEETINGS—
Finals:
Anglo Swiss
Boots
Bulmer and Lumb
Dutton-Forshaw
Hinton (Amos)
Ind. and Gen. Tst.
Pyramid (Publishers)
Sphere Inv. Tst.
Whitbread Inv.
Witan Inv.
Interims:
Brockhouse
Brown (Matthew)
Jessups
Redman Heenan Intnl.

FRIDAY, MAY 19

COMPANY MEETINGS—
Barrow Hepburn, Hyde Park Hotel, Knightsbridge, S.W., 11
Bowater, Dorchester Hotel, Park Lane W., 11.30
Crossley Bldg. Prods., Elton Hall Stockton-on-Tees, 12
Dinkie Heel, Bristol Eurocrest Hotel, Bristol 12
Dixor, Blenheim Road, Epsom, 10.30
FC Finance, Abercorn Rooms, Great Eastern Hotel, E.C., 12.30
Horizon Midlands, 75, Harborne Road, Birmingham, 2.15
Reed Executive, Castle Hotel, Windsor, Berkshire, 12
Sandeman (George G.), Dorset Room, Connaught Rooms, W.C., 12
Watts Blake Bearne, Manor House Hotel, Moretonhampstead, Devon 12

DIVIDEND & INTEREST PAYMENTS—
APV 3.706p
African Lakes Cpn., 4.4p
Banks (Sidney C.) 1.25p
Barking 7¼pc Rd. 1976-78 £1.3589
Barton and Sons 2.0686p
Benford Concrete Machinery 1.28795p
Bifurcated Eng. 1.89967p
Brammer (H.) 2.8p
Burgess Prod. A 1p
Carron 2.042p
Combd. Insurance America 25cts.
Danish Bacon A 3.514p
Deutsche Bk. DM9
Ferry Pickering 1.25p
Futura 1.4p
Gresham Inds. 8cts.
Morrison (William) Supermarkets 1.285p
Norvic Secs. 1.4p
Pressac 0.9244p
Pretabail-Sicomi Frs.36.10
Royal Insurance 4.2107p
Swedish Match A and B S.Kr.5
Treasury 10½pc 1999 £3.49

BOARD MEETINGS—
Finals:
Debenhams
Ever Ready
Fashion and Gen. Inv.
Le Bas (Edward)
Interims:
Spooner Inds.
Whessoe

SATURDAY, MAY 20

DIVIDEND & INTEREST PAYMENTS—
Caterpillar Tractor 45cts.

SUNDAY, MAY 21

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mtg. 5pcDb. 2½pc. Do. 3½pc Db. 1¾pc
Con. London 7½pc 1979-81 3¾pc. Do. 5¼pc 1976-79 2⅝pc
N. Rhodesia 6pc 1976-79 3pc
Nyasaland 6pc 1976-79 3pc

CONTRACTS

£3m. work for Matthew Hall

ISC Chemicals (an RTZ company) has awarded a contract to MATTHEW HALL NORCAIN, of Southampton, for the engineering design and construction of a multi-stream plant to produce a range of aromatic fluorine compounds.

Plant design is based on pilot plant experience and a front-end design study for a 500 tpa plant undertaken by Petrocarbon Developments and is expected to cost about £3m. Construction work at Avonmouth has started and commissioning is expected early next year for it to be fully operational by mid-1979. The compounds produced will be used as chemical intermediates in the preparation of a number of pharmaceutical, agrochemical and fine chemical products.

★

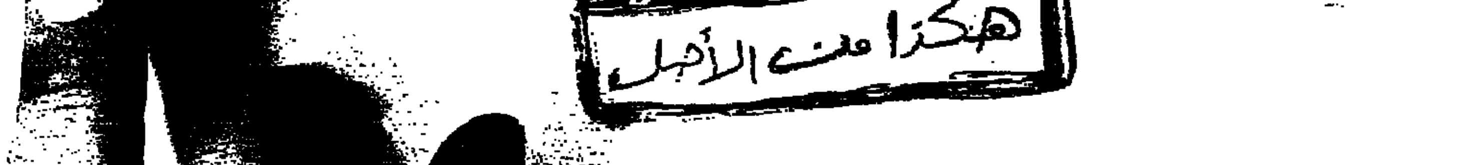
Work has started on the second phase of Serck Heat Transfer's redevelopment project, at Warwick Road, Birmingham. The contract, let to TARMAC and worth £1.5m., includes an air-conditioned two-storey office block built round a central courtyard, and a single-storey 250-seat restaurant.

★

GEO. A. MOORE AND CO., Wetherby, Yorks, has won a three-year contract to supply kitchen furniture to the Department of the Environment. This represents over 3,000 complete kitchens for servicemen's houses throughout the UK, and over 2,000 kitchens for British Forces' accommodation in Germany. Total value is £750,000.

★

Sunderland Shipbuilders has placed an order, said to be worth several hundred thousand pounds, with CAMREX for supplying the entire paint system for six 16,000 dwt general cargo ships being built for the Shipping Corporation of India.



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The Application List for the Ordinary Shares now offered for sale will open at 10 a.m. on Thursday, 18th May 1978, and will close at such later time on the same day as Robert Fleming & Co. Limited may determine.

A copy of this Offer for Sale, having attached thereto the documents specified below, has been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the whole of the issued Ordinary Share capital of Eurotherm International Limited ("the Company") to be admitted to the Official List.

This advertisement contains particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Eurotherm International

Eurotherm International Limited

1975
EUROTHERM LIMITED
THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT

Offer for Sale

by Robert Fleming & Co. Limited of 2,854,390 Ordinary Shares of 10p each at 100p per share payable in full on application

The Ordinary Shares now offered rank in full for all dividends hereafter declared or paid on the issued Ordinary Share capital of the Company.

Share Capital

Authorised £		Issued and fully paid £
1,400,000	in 14,000,000 Ordinary Shares of 10p each	1,141,756

INDEBTEDNESS

The Company and its subsidiaries ("the Group") had outstanding at the close of business on Friday, 14th April, 1978 (a) secured borrowings comprising (i) Bank overdrafts and advances of £788,418, (ii) a term loan of £107,144 and (iii) mortgages of £273,556, (b) an unsecured loan from the Eurotherm Executive Superannuation Scheme of £305,908 and (c) hire purchase commitments of £79,791. The Group had at that date cash balances at bank of £646,606. Save as aforesaid, and apart from inter-company transactions and guarantees of bank overdrafts of subsidiaries, the Group had at that date no loan capital (including term loans) outstanding or created but unissued, and had outstanding no mortgages, charges, or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments or, except in the ordinary course of business, guarantees or other material contingent liabilities.

Financial Statistics In Brief

The following statistics are derived from the full text of the Offer for Sale and accordingly must be read in conjunction with that text.

Issued Share Capital

11,417,560 Ordinary Shares of 10p each £1,141,756

Trading Statistics

	Year Ended 31st October 1977	1976	1975	16 months Ended 31st October 1974	Year Ended 30th June 1973
	£000's	£000's	£000's	£000's	£000's
Sales U.K.	5,110	3,260	2,683	2,794	1,157
Overseas	7,743	4,774	3,792	3,885	1,300
	12,853	8,034	6,475	6,679	2,457
Profit before taxation and minority interests	1,886	1,165	889	501	149
Percentage to sales	14.7	14.5	13.7	7.5	6.0
Net Profit	1,104	747	545	293	63

Assets as at 31st October, 1977

Group net tangible assets	£3·1 million
Group net tangible assets per share	27·3p

Offer for Sale Statistics

Offer for Sale Price	100p
Total value of issued share capital at the Offer for Sale Price	£11.4 million
Forecast of consolidated Group profit before taxation and extraordinary items for the year ending 31st October, 1978 — approximately	£2.5 million
Forecast Earnings per share for the year ending 31st October, 1978 assuming corporation tax at the rate of 52%	10.5p
Price earnings multiple based on the Offer for Sale Price and forecast earnings for year ending 31st October, 1978 assuming corporation tax at the rate of 52%	9.5 times
Expected dividend per share (inclusive of related tax credit) for the year ending 31st October, 1978 payable in or about February, 1979	4.0p
Notional dividends per share for a full year (inclusive of related tax credit)	5.3p
Yield at the Offer for Sale Price on the basis of the notional dividends per share for a full year (inclusive of related tax credit)	5.3 per cent.

Board of Directors

JAMES ARTHUR HARTNETT,
Eurotherm International Limited, 8 High Street, Worthing, Sussex BN11 1NU.
(Executive Chairman)

JACK LAWRENCE LEONARD, M.Sc., Ph.D., M.I.E.E., C. Eng.,
Eurotherm International Limited, 8 High Street, Worthing, Sussex BN11 1NU.
(Group Managing Director)

MICHAEL JOHN SOMERVILLE, B.Sc., Ph.D., M.I.E.E., C.Eng.,
Eurotherm International Technical Services Limited, 25 North Street, Lewes, Sussex BN7 2PL.

JOSEPH DENNIS WILKINSON, F.C.A.,
Eurotherm International Limited, 8 High Street, Worthing, Sussex BN11 1NU.

BRIAN CHARLES CHESSELL,
Turnbull Control Systems Limited, Mulberry Lane, Goring-by-Sea, Sussex BN12 4RB.

GORDON THOMAS ROBERTS, B.Sc., Ph.D.,
Chessell Limited, Broadwater Trading Estate, Southdownview Road, Worthing, Sussex BN14 8NL.

JOHN MICHAEL SHACKLETON, B.Sc.,
Shackleton System Drives Limited, Eldon Way, Lineside, Littlehampton, Sussex BN17 7HE.

GEORGE FREDERICK TURNBULL, M.Sc., Ph.D.,
Turnbull Control Systems Limited, Mulberry Lane, Goring-by-Sea, Sussex BN12 4RB.

GEOFFREY ALAN WITHRINGTON, B.Sc., M.I.E.E., C.Eng.,
Eurotherm Limited, Broadwater Trading Estate, Southdownview Road, Worthing, Sussex BN14 8NW.

Secretary and Registered Office
DAVID WILLIAM DOWNHAM, 40/43 Chancery Lane, London WC2A 1JJ.

Auditors and Reporting Accountants
ARTHUR ANDERSEN & CO.,
Chartered Accountants, 1 Surrey Street, London WC2R 2PS.

Solicitors
To the Company:
GOULDENS, 40/43 Chancery Lane, London WC2A 1JJ.
To Robert Fleming & Co. Limited:
LINKLATERS & PAINES,
Barrington House, 59/67 Gresham Street, London EC2V 7JA.

Bankers
Principal Bankers:
BARCLAYS BANK LIMITED,
Finsbury Pavement Branch, 128 Moorgate, London EC2M 6SX.
Receiving Bankers to the Offer for Sale:
BARCLAYS BANK (LONDON AND INTERNATIONAL) LIMITED,
New Issues Department, 2 London Wall Buildings, London Wall, London EC2P 2BU.

Brokers
HENDERSON CROSTHWAITE & CO.,
194-200 Bishopsgate, London EC2M 4LL, and The Stock Exchange.

Registrars and Transfer Office
BARCLAYS BANK (LONDON AND INTERNATIONAL) LIMITED,
Radbroke Hall, Knutsford, Cheshire WA16 9EU.

The following is a copy of a letter to Robert Fleming & Co. Limited from Mr. J. A. Hartnett, Executive Chairman of Eurotherm International Limited:—

10th May, 1978

The Directors,
Robert Fleming & Co. Limited

Dear Sirs,

In connection with your Offer for Sale of Ordinary Shares of Eurotherm International Limited ("the Company"), I have pleasure in providing you with the following information:—

HISTORY

The Present Organisation

The Company, incorporated in England on 22nd August, 1975, is the holding company of a group of companies ("the Group") engaged in the manufacture and sale of electronic equipment for industrial, commercial and scientific applications. These applications are in the fields of temperature control, the monitoring and recording of industrial processes and their effects, variable speed regulation of machinery, and in the adaptation of high technology control systems for other industrial purposes.

All Group companies may draw on the expertise of a technical development company, Eurotherm International Technical Services Limited ("Technical Services"), but the Group originates, develops, assembles and markets its products through separate organisations which are largely autonomous. There are four such companies incorporated in the United Kingdom, based at or near Worthing, Sussex:—

Eurotherm Limited ("Eurotherm")
Chessell Limited ("Chessell")
Shackleton System Drives Limited ("Shackleton")
Turnbull Control Systems Limited ("Turnbull").

One overseas company in the Group, Eurotherm Corporation, incorporated in the U.S.A., is similarly responsible for its own activities in its product and geographic areas. There are also sales subsidiaries, some of which have manufacturing or assembly facilities, in the U.S.A., West Germany, France, Switzerland, Italy and Hong Kong. Two further sales subsidiaries are incorporated in the United Kingdom: one operates the Group's sales branch in Japan and the other is the channel for Eurotherm's exports. A manufacturing subsidiary in Guernsey makes printed circuit boards and related products for Group companies, but has no outside sales.

The Beginning

In 1965 Dr. Jack Leonard, who is the present Group Managing Director, Dr. Mike Somerville, Group Research and Development Director, Mr. Gerry Martin and I, now aged 46, 48, 48 and 64 respectively, formed Eurotherm to develop temperature controllers using the modern technology which had become commercially available.

Temperature controllers had been used in industry since the last century. The instrument in general use was a finely balanced galvanometer which was adversely affected by vibration and consequently was not very reliable.

By 1965 the transistor and other semi-conductor devices invented after the last war had gone through their early stages of development and they had reached the point where they were reliable and were falling in price. Eurotherm was a pioneer in the design of a temperature controller using semi-conductors for high volume production, which could be priced at little more than traditional controllers. This product was successful from the start because of its reliability and control accuracy.

Diversification

By 1971 we had recognised the need to diversify. Although the world temperature control market was growing steadily, it had become evident that this single product area was unlikely to give us the opportunity to expand the business in the way we intended.

The following guidelines for diversification were decided upon:—

(1) To stay within the large but growing field of industrial and scientific electronics, as we were more likely to be successful in a field we knew.

(2) To enter areas where the market was already well established and the competition diverse and successful, but in which we thought we could make better products and give better service.

(3) To choose products where sales in the country of origin could provide the base from which larger overseas sales could be developed.

These guidelines led to the creation and development of Chessell, Shackleton and Turnbull.

BUSINESS

Eurotherm

Since the incorporation of Eurotherm in 1965, its temperature controllers have been constantly developed and improved. New ancillary products have been added—timers, programmers and indicators—and we have placed great emphasis on styling and design in improving our products. Our markets include the more advanced manufacturing industries, which need very precise and reliable control of their production processes. For instance the production of the integrated circuits used in computers requires equipment, of which Eurotherm is a supplier, capable of giving a stability of better than 0.1°C at 1200°C (white heat). The main customer industries include: plastics and chemicals, telephone and submarine cables, nuclear, semi-conductor, glass-fibre, optical glass, and aerospace. No one customer accounts for more than 5 per cent. of Eurotherm product sales.

Eurotherm sells primarily in the advanced industrial countries each of which has its own local industrial control industry. The company is the market leader in the United Kingdom and amongst the two or three largest industrial temperature control manufacturers in the world for its type of product. It is one of the few significant external suppliers to the U.S.A. and West Germany. Expansion overseas, together with the substantial increase in sales in 1973/74, stretched the resources of the company and in late 1974 it experienced a significant liquidity problem. This problem had been overcome by the end of 1975 and certain policy changes were made to improve production and financial controls.

Eurotherm has almost outgrown its existing manufacturing facilities and, in order to meet anticipated future levels of activity, plans for the acquisition of new space are now well progressed. It is intended to construct a 50,000 sq. ft. purpose built unit on a site of approximately 4 acres to be taken on a long lease within five miles of the present factory. Outline planning permission has been obtained and the final specification is now being decided upon. Satisfactory finance for the proposed project has been arranged.

In 1975 Eurotherm received the Queen's Award for Industry for its export achievements. Sales of Eurotherm products in the year to 31st October, 1977 were £7.55m. of which £5.35m. were overseas sales (including £0.35m. manufactured in the U.S.A.). The present Managing Director is Mr. Geoff Withrington (aged 35), who joined Eurotherm in 1970 to open the branch in Japan.

Chessell

Chessell designs, manufactures and markets industrial potentiometric chart recorders. These are used to monitor and record industrial processes and their effects—for instance, the output and running conditions of power stations and oil refineries, the drying and storage of tobacco, conditions in oil wells and, increasingly, pollution and environmental control.

After five years of operation, sales of Chessell products reached £3.2m. in the year to 31st October, 1977 of which overseas sales amounted to £1.45m. Sales teams specialising in recorders have been established in France and West Germany, operating within the local companies. In October, 1977 Chessell Corporation was formed in the U.S.A. to exploit the substantial potential of the North American market by the direct supply of Chessell products under a separate management team responsive to the special requirements of that market.

In 1977 Chessell received a Design Council Award for Engineering Products for its "series 320" multi-pen potentiometric recorder.

The Chessell factory is situated very close to the existing Eurotherm premises and it is intended that Chessell will take over occupancy of the main Eurotherm building, whilst retaining its present premises, when Eurotherm moves to the new building referred to above. This will provide Chessell with adequate space for expansion in the foreseeable future.

Chessell is named after Mr. Brian Chessell (aged 45), the original Managing Director, formerly Production Director of Eurotherm, which he joined in 1966. The present Managing Director of Chessell is Dr. Gordon Roberts (aged 46).

Shackleton

Shackleton designs, manufactures and markets a range of variable speed industrial drives. This electronically controlled power equipment provides continuously variable speed regulation of electric motors from fractional horsepower to several hundred horsepower rating. Applications include plastics, paper and textile machinery, cable and wire processing, metal industries, material handling, and machine tool controls.

The Shackleton product range has now been proven and accepted within the United Kingdom. Progress is being made in the development of overseas markets and substantial orders have been received from Italy, Germany, Sweden and the U.S.A.

Sales of Shackleton products in the year to 31st October, 1977 were £0.81m. of which £0.15m. were overseas sales.

Shackleton was named after Mr. John Shackleton (aged 42), its Managing Director, who was previously Engineering Director of Eurotherm, which he joined in 1967.

Turnbull

Turnbull designs, manufactures and markets the most recently developed product range in the Group, and was formed on recognition of the market potential for fully-integrated measurement and control systems.

Developing initially from established Group market areas, Turnbull now supplies equipment principally for glass and glass-fibre production, plastics manufacture and wire coating, for which large systems were previously supplied only by the major process control companies. During the past eighteen months the highly qualified Turnbull engineering teams have made considerable advances, enabling Turnbull to undertake steadily more advanced control applications in the following fields: production of a new type of ophthalmic glass, nuclear reactor simulation, specialised quartz crystal growing, turbine blade testing for gas turbine engines, computerised vacuum furnace control and television tube production line instrumentation.

A new range of instrumentation, based on microprocessor technology, is being developed and computer expertise continues to be expanded.

Sales of Turnbull products in the year to 31st October, 1977 amounted to £1.2m., of which overseas sales amounted to £0.7m.

Turnbull was named after Dr. George Turnbull (aged 40), its first Managing Director, who is at present Joint Managing Director with Mr. Brian Chessell.

Technical Services

Each of the manufacturing companies has its own research and development team of qualified engineers, but Technical Services performs a central research and development function for the Group. It provides the high quality facility required to enable the Group to stay in the forefront of technical knowledge and provides assistance for the manufacturing companies upon request.

Technical Services is also responsible for technical evaluation and development of ideas for new products, and for ensuring that a new product meets the high technical standards required by Group policy.

The Managing Director is Dr. Mike Somerville.

MANAGEMENT STRATEGY

The following are the essential elements of the Group's management strategy:—

(1) We have aimed from the start to build organisations of a quality and dedication compatible with the objective of making products which will eventually hold a significant world market share.

(2) When a new product group is set up, it is handled by a separate management team of three or four individuals formed mainly, but not exclusively, from Group companies rather than being imposed on an existing organisation. This team is then given freedom to develop its product range and build up its own marketing organisation and production facilities, while operating within the Group's overall control procedures, both financial and qualitative.

(3) Capital requirements are kept to a minimum. The production processes involve very little primary manufacture and consist essentially of the assembly, testing and calibration of components bought in from outside suppliers. Conscious efforts have been made to avoid undue dependence on any one supplier.

(4) We have employed experienced graduate engineers as the major element in our marketing staff. These engineers are able to converse on equal terms with the very highly qualified technical personnel among their customers. As the Group's products are often important elements in complex and expensive manufacturing processes, it is essential that these processes are not disrupted by any fault in equipment supplied by the Group. Should there be faults, marketing staff must have the technical capability to remedy them immediately.

(5) With approximately 90 per cent. of the potential world market for the Group's products lying outside the United Kingdom, particular attention is paid to overseas sales and the requirements of overseas customers. The principles of marketing and servicing practised in the United Kingdom are applied as nearly as possible to overseas markets. Where it has not been feasible to establish a sales company in a particular country, great care has been paid to the selection, training, motivation and supervision of suitable agents.

(6) Particular importance is attached to the styling and industrial design of our products, not only from the point of view of their immediate appearance but also to ensure ease of operation and ease of access for repair and maintenance.

MANAGEMENT AND STAFF

The Group is managed by the Board of the Company which meets regularly during the year. Within this Board structure is a policy committee which consists of Dr. Leonard, Dr. Somerville, Mr. Joe Wilkinson (aged 35) the Finance Director and myself. Day to day management is left to the chief executives of the individual operating companies. The major United Kingdom companies are each represented on the Board and the overseas companies report directly to Dr. Leonard. Inter-company communication is encouraged in order to facilitate the exchange of ideas and the pooling of information. Senior management personnel travel extensively and visit the overseas companies frequently. In addition, as part of the Group's planning and control procedures, management personnel meet twice a year in order to discuss current operations and future plans, for the short and the long term, for their particular company's operations.

Eurotherm International Limited

Continued

All the Directors serve under Service Agreements and brief particulars of their current agreements are set out under Statutory and General Information.

From the outset it has been a fundamental principle of Group policy to recruit executives of outstanding ability who are young, yet experienced, and well qualified in their chosen fields. The successful implementation of this policy has ensured that the Group is not dependent on the services of a few key personnel.

The total Group payroll comprises some 950 persons (201 overseas) of whom 142 are graduates and a further 60 have professional or other qualifications. Labour relations are excellent and staff turnover has been low. Indeed, morale throughout the Group runs high with a strong sense of pride arising from its success.

Mention is made of the Group's Pension Schemes in the Accountants' Report.

EMPLOYEE SHAREHOLDERS

As mentioned above, when in the past a new product area has been entered, a new management team has been formed. The team has been given a high degree of autonomy with a view to providing a stimulating environment to motivate the individuals concerned and to help in the development of their entrepreneurial and managerial talents. The intention has been to re-create, so far as practicable, the same motivation as was present in the founders of Eurotherm at the time of its formation, and in particular to ensure that the team for the new product area should stand or fall by the results of its own efforts.

New companies have been formed to develop, produce and market new product groups, and members of management teams placed in charge of those new companies subscribed for shares in those companies on their formation. Except in the case of Turnbull, whose shares were acquired by the Company for cash, the shares so acquired by team members are now reflected in their present shareholdings in the Company. In addition to the founders of Eurotherm, 36 Directors or employees of Group companies are now shareholders in the Company.

The Board hopes to use the above or similar procedures when entering further product areas and in the future expansion and development of the Group's activities, both in the United Kingdom and overseas, but not so as to enable persons with significant holdings in the Company to increase those holdings. The Directors consider these procedures to be for the benefit of shareholders and employees alike.

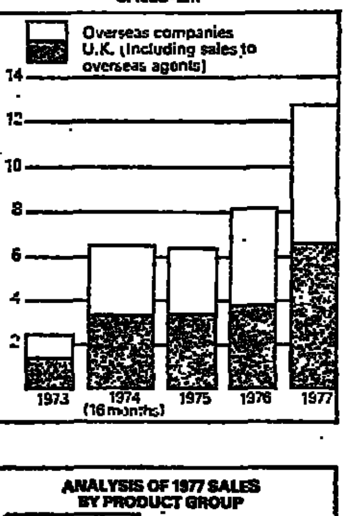
United Kingdom fiscal regulations inhibit the provision of meaningful share incentives for United Kingdom based employees of established Group companies, but the Board intends to examine means by which further share participation can be encouraged for individuals who do not already have significant shareholdings.

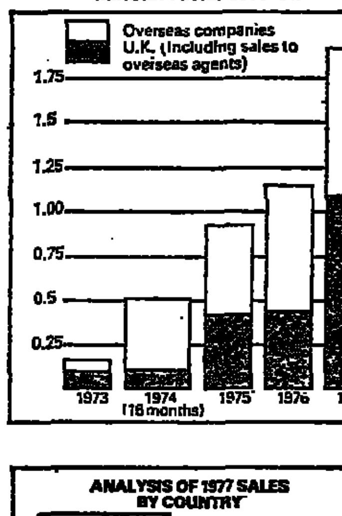
GROUP PROPERTIES

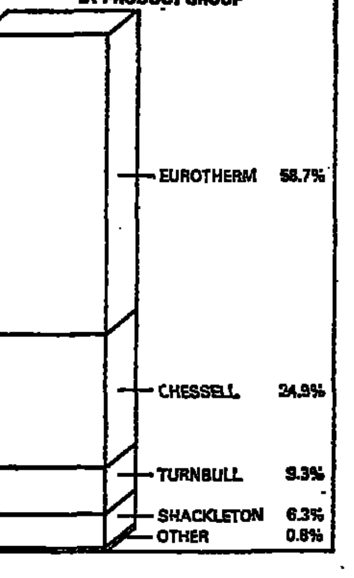
Details of the principal premises occupied by the Group are set out separately.

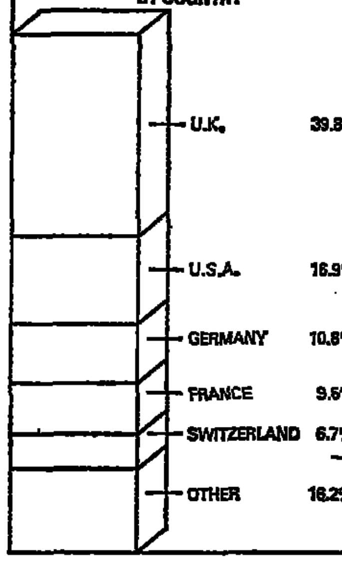
SALES AND PROFITS 1973-1977

As shown in the Accountants' Report the Group has increased its sales and profits substantially over the past five years. The extent of these increases, the split between the United Kingdom and overseas companies and an analysis of the sales by product group and by country for the year ended 31st October, 1977 are illustrated by the diagrams set out below. During 1975 and 1976 the Group made certain significant changes to operating procedures, with particular reference to materials control, strengthened financial reporting and performance monitoring. This improved organisational base enabled the Group as a whole, and Eurotherm in particular, to benefit fully from the general world recovery in the level of relevant industrial activity. These two factors led to significantly increased orders from the summer of 1976 onwards and resulted in substantial controlled growth in sales and profits in 1977.









THE CURRENT YEAR AND PROFIT FORECAST

Orders received by the Group for the five months ended 31st March, 1978, amounted to £7.3m., compared with £5.0m. for the same period in the previous year, and invoiced sales were £6.2m. compared with £4.8m. for the same period in 1977. The level of activity to date for the current year compares favourably with the original forecasts prepared by the individual operating companies.

On the bases and assumptions set out in Statutory and General Information, the Directors forecast that in the absence of unforeseen circumstances the consolidated profit of the Group before taxation and extraordinary items for the year ending 31st October, 1978 will be approximately £2.5 million.

DIVIDENDS AND APPROPRIATION OF PROFIT

On the basis of the forecast of profit for the year ending 31st October, 1978, the Directors intend to recommend for payment in February, 1979 a dividend of 4.0p per share (inclusive of related tax credit). This would imply a net dividend of 2.64p per share at the current basic rate of tax of 34 per cent. or 2.68p per share should this rate be reduced to 33 per cent. This would be the first ever dividend payable by the Company. In respect of a full year throughout which the Company's shares were listed and in which a similar level of profit was earned, the Directors would expect to recommend dividends totalling 3.5p per share (5.3p inclusive of related tax credit at the current rate of 34 per cent.). It is expected in future years to pay interim dividends in August and final dividends in February.

Under current legislation, which expires on 31st July, 1978 the Company would not be subject to any dividend restrictions in respect of the two years ending 31st October, 1979.

The following table sets out, by way of illustration only, how a profit before taxation of £2.5 million would be appropriated, assuming corporation tax at the rate of 52 per cent. and total dividends of 3.5p per share on the share capital of £1,141,756:—

	£000's
Profit before taxation	2,500
Less: taxation	1,300
Profit after taxation	1,200
Less: dividends totalling 3.5p per share	400
Profit retained	800

On the basis of this illustration, the dividend would be covered 3 times by the profit after taxation. The dividend inclusive of the related tax credit at the current rate of 34 per cent. would represent a gross equivalent dividend yield of 5.3 per cent. on the Offer for Sale price of the shares.

At the Offer for Sale price, the Company would be valued, (on forecast earnings per share of 10.5p assuming corporation tax at the rate of 52 per cent), on a price earnings multiple of 9.5 times.

PLANS AND PROSPECTS

We consider that the Group has excellent growth potential for the following reasons:—

(a) New products are frequently being introduced within the existing product ranges and at the present time three such new products are nearing development completion in either the United Kingdom or the U.S.A.

(b) An important element of the Group's management strategy, namely the independent development of product groups, and their related production facilities and marketing organisations, has not yet been fully applied overseas.

(c) A new product group, with substantial market potential, is now in the initial development stage, and a new management team is being brought together.

We are of the opinion that our organisational approach is well suited to the expanding technological area in which we operate and we look forward to the future with confidence and enthusiasm.

Yours faithfully,
J. A. HARTNETT,
Chairman.

ACCOUNTANTS' REPORT

The following is a copy of a report which has been received from Arthur Andersen & Co., the auditors and reporting accountants:—

The Directors,
Eurotherm International Limited
Robert Fleming & Co. Limited

10th May, 1978

Gentlemen,

We have examined the balance sheet of EUROTHERM INTERNATIONAL LIMITED (the "Company") at 31st October, 1977, and the consolidated balance sheets of EUROTHERM INTERNATIONAL LIMITED AND SUBSIDIARY COMPANIES (the "Group") at 30th June, 1972 and 1973, and at 31st October, 1974, 1975, 1976 and 1977, and the related statements of consolidated profits and consolidated source and application of funds for the periods ended 30th June, 1973 and 31st October, 1974, 1975, 1976 and 1977, prepared on the basis described in the accounting policies section below.

The Company was formed on 22nd August, 1975, to acquire, by way of share exchange, certain companies with common shareholders. As explained in Note 1, the figures shown in the accompanying financial information for the periods ending prior to 1st November, 1975, are those that would have been reported if the Group structure, as presently constituted, had been in existence throughout the earlier periods. We were not the auditors of the Group for the periods ended 30th June, 1973, and 31st October, 1974, and the accounts of certain overseas subsidiaries have continued to be examined by other auditors. Such subsidiaries represented approximately 32 per cent. of consolidated total assets at 31st October, 1977, and approximately 40 per cent. and 33 per cent., respectively, of consolidated sales and consolidated net profit for the year ended on that date.

The financial information presented below is based on the audited accounts, after making such adjustments as we consider necessary. The principal adjustment is the change in the basis of accounting for deferred taxation, which is explained further in Note 2.

In our opinion, the financial information shown below gives a true and fair view, on the bases mentioned above, of the state of affairs of the Company at 31st October, 1977, and of the state of affairs of the Group at 30th June, 1972 and 1973, and at 31st October, 1974, 1975, 1976 and 1977, and of the profits and source and application of funds of the Group for each of the five accounting periods referred to above, on a consistent basis.

Accounting Policies

The significant accounting policies adopted in arriving at the financial information set out in this Report are as follows:—

(a) Basis of preparation—
The financial information has been prepared on the historical cost basis, except for certain freehold and long leasehold land and buildings which are stated at valuation, as detailed in Note 4.

(b) Principles of consolidation—
The consolidated financial information for the years ended 31st October, 1976 and 1977, includes the accounts of the Company and of all its subsidiary companies. For each of the earlier accounting periods the financial information has been reported as if a Group structure existed as currently constituted. Inter-company transactions and balances are eliminated.

(c) Investments in subsidiary companies—
The Company accounts for its investments in its subsidiary companies by the equity method, whereby the original cost of the investments is adjusted for the movement in the underlying net assets applicable to the investments since their date of acquisition, less the additional taxation which would be payable upon distribution of the overseas earnings.

(d) Translation of foreign currencies—
Current assets and all liabilities existing in foreign currencies are translated into pounds sterling at the rates of exchange prevailing at each balance sheet date.
Fixed assets are translated at the rates of exchange in effect when such assets were acquired, except for property at valuation, which is translated at the rate of exchange ruling at the valuation date.
Sales, cost of sales and expenses are translated at the average rates of exchange prevailing during each period. Exchange differences arising on transactions during each period are charged or credited to cost of sales and expenses and differences arising on translation are charged or credited to selling and other expenses.

(e) Stock—
Stock is stated at the lower of cost, on a first-in, first-out basis, and net realisable value. Cost includes all direct costs incurred in bringing the stock to its present state and location, including an appropriate portion of manufacturing overheads.

(f) Deferred taxation—
Deferred taxation is provided to allow for the effect of items of income and expense (primarily depreciation and additional taxation payable upon distribution of overseas earnings) being attributed for tax purposes to periods different from those in which the credits or charges are recorded in the accounts. Deferred taxation is provided only to the extent that there is a reasonable probability of payment within the foreseeable future.
Deferred taxation is computed using the liability method whereby timing differences are tax effected at the rate of corporation tax existing at each balance sheet date.

(g) Sales—
Sales represent the invoiced value, excluding value added tax, of goods shipped, net of returns, trade discounts and allowances.

(h) Depreciation—
Depreciation is provided on fixed assets at cost or valuation on a straight-line basis, at annual rates based on the estimated economic lives of the assets as follows:—

Freehold buildings	—2½%
Leasehold buildings	—over the residual term of the lease
Plant and equipment	—10%—20%
Vehicles	—20%—33⅓%

(i) Other matters—
All research and development expenditure is written off as incurred.
Estimated warranty costs are provided currently.

Statements of Consolidated Profits

	Note	Year ended 31st October 1977 £000's	1976 £000's	1975 £000's	16 months ended 31st October, 1974 £000's	Year ended 30th June, 1973 £000's
Sales—U.K.		5,110	3,260	2,683	2,794	1,157
—overseas		7,743	4,774	3,792	3,885	1,300
		12,853	8,034	6,475	6,679	2,457
Cost of Sales		7,143	4,241	3,450		
Gross profit		5,710	3,793	3,025	6,178	2,308
Selling and other expenses		3,824	2,628	2,136		
Profit before taxation and minority interests		1,886	1,165	889	501	149
Taxation	2	780	335	313	168	79
Profit before minority interests		1,106	830	576	333	70
Minority interests		2	83	31	40	7
Net profit	9	1,104	747	545	293	63
Earnings per share	3	9.67p	6.54p	4.77p	2.57p	0.55p
Included in cost of sales and selling and other expenses are the following:						
Depreciation		269	169	144	114	55
Interest expense		121	168	285	201	50

Balance Sheets

Company 31st October 1977 £000's		Note	Group 31st October 1977 £000's	1976 £000's	1975 £000's	1974 £000's	30th June 1973 £000's	1972 £000's
19	Fixed Assets	4	1,553	1,242	958	812	486	302
2,884	Investments in Subsidiary Companies	5	—	—	—	—	—	—
2,903			1,553	1,242	958	812	486	302
	Current Assets:							
—	Stock	6	2,651	2,064	1,330	1,504	616	343
12	Debtors and prepaid expenses		2,981	2,671	1,544	1,506	653	451
1,267	Due from subsidiary companies		—	—	—	—	—	—
61	Cash		474	352	181	91	66	88
1,340			6,106	5,087	3,055	3,101	1,335	882
	Current Liabilities:							
73	Creditors and accrued expenses		1,907	1,817	983	1,379	822	486
325	Due to subsidiary companies		—	—	—	—	—	—
32	Taxation		644	388	256	150	94	64
21	Current portion of long-term debt	7	56	90	73	32	6	—
269	Bank overdrafts, secured		651	878	701	1,109	248	180
720			3,258	3,173	2,013	2,670	1,170	730
620	Net current assets		2,848	1,914	1,042	431	165	152
3,523			4,401	3,156	2,000	1,243	651	454
(403)	Long-term Debt	7	(651)	(633)	(414)	(363)	(163)	(188)
—	Deferred Taxation	2	(624)	(421)	(342)	(227)	(178)	(113)
—	Minority Interests		(6)	(190)	(107)	(76)	(28)	(19)
3,120	Net assets		3,120	1,912	1,137	577	284	134
	Representing—							
10	Share Capital	8	10	10	10	6	6	5
3,110	Reserves	9	3,110	1,902	1,127	571	278	129
3,120			3,120	1,912	1,137	577	284	134

Statements of Consolidated Source and Application of Funds

	Year ended 31st October 1977 £000's	1976 £000's	1975 £000's	16 months ended 31st October, 1974 £000's	Year ended 30th June, 1973 £000's
Source of Funds:					
Operations—					
Net profit for the period	1,104	747	545	293	63
Add (deduct) items not involving the movement of funds—					
Depreciation	269	169	144	114	55
Deferred taxation	235	72	115	28	33
Minority interests	2	83	31	40	7
Net gain on translation of revalued land and buildings	—	(38)	—	—	—
Total funds from operations	1,610	1,033	835	475	158
Increase (decrease) in long-term debt, net	18	219	51	200	(25)
Transfers from current to deferred taxation	—	—	—	21	—
Other	8	—	15	10	(2)
Total funds provided	1,636	1,252	901	706	131
Application of Funds:					
Capital expenditure, net of disposals	580	378	290	440	118
Taxation paid on distributions from overseas subsidiaries	68	—	—	—	—
Acquisition of former minority interests	54	2	—	—	—
	702	380	290	440	118
Increase in net current assets, comprising—					
Increase (decrease) in stock	587	734	(174)	888	273
Increase in debtors and prepaid expenses	318	1,127	38	853	202
(Increase) decrease in creditors and accrued expenses	(90)	(834)	396	(567)	(338)
Increase in taxation	(256)	(132)	(106)	(56)	(30)
Decrease (increase) in current portion of long-term debt	34	(17)	(41)	(26)	(6)
Movement in net liquid funds, as below	349	(6)	498	(836)	(90)
	934	872	611	266	13
	1,636	1,252	901	706	131
Movement in Net Liquid Funds:					
Increase (decrease) in cash	122	171	90	25	(22)
Decrease (increase) in bank overdrafts	227	(177)	408	(861)	(68)
	349	(6)	498	(836)	(90)

Notes:

1. Formation of Company and Acquisition of Subsidiaries

The Company was incorporated on 22nd August, 1975, and acquired, with effect from 1st November, 1975, the whole of the issued share capitals of Eurotherm Limited, Chessell Limited and Shackleton System Drives Limited, together with those issued shares of Eurotherm Corporation, now Eurotherm International Incorporated, not already owned by Eurotherm Limited. At that time, Eurotherm Limited already owned either in whole or in part the other overseas subsidiaries.

Prior to their acquisition by share exchange, the companies had been effectively under common control. Since the acquisitions did not result in a change in the shareholders, or in their individual interests, the reserves of the subsidiaries at the date of acquisition by the Company are deemed distributable by the Company. Accordingly, the financial information for the period of five years and four months ended 31st October, 1977, has been presented on the basis that the present Group relationship effectively existed throughout the period.

2. Taxation

(a) The taxation charge, which is based on the profit for the period, comprises:—

	Year ended 31st October 1977 £000's	1976 £000's	1975 £000's	16 months ended 31st October, 1974 £000's	Year ended 30th June, 1973 £000's
U.K. corporation tax—					
Current	215	76	28	10	27
Deferred	140	(8)	41	(8)	24
	355	68	69	2	51
Overseas taxation	330	187	170	130	19
Deferred taxation on undistributed overseas earnings	95	80	74	36	9
	780	335	313	168	79

(b) Deferred taxation represents:—

	31st October 1977 £000's	1976 £000's	1975 £000's	1974 £000's	30th June 1973 £000's	1972 £000's
Corporation tax on the excess of the net book value of assets eligible for tax allowances over the corresponding tax written-down value of such assets	291	184	170	119	109	82
Attributable taxation in respect of property revaluation surpluses	39	39	32	32	32	—
Taxation payable in respect of profits earned overseas upon such profits being remitted to the U.K. by way of dividend	292	230	150	78	40	31
Other net timing differences	2	(32)	(10)	—	—	—
	624	421	342	227	178	113

In the audited accounts prior to those for the year ended 31st October, 1977, the Group's policy was to make full provision for deferred taxation liabilities. During 1977 this policy was changed, and, in accordance with Exposure Draft 19 of the Accounting Standards Committee, provision is now only made for tax liabilities which the Directors believe have a reasonable probability of materialising in the foreseeable future. The effect of this change is to eliminate the need for a provision in respect of taxation deferred by stock relief. The prior years' accounts have been restated accordingly.

At 31st October, 1977, there is a contingent liability for taxation deferred by stock relief of £594,000 (1976—£369,000; 1975—£219,000; 1974—£62,000).

3. Earnings per share

Earnings per share have been calculated by dividing the net profit for each accounting period by the number of shares in issue at 10th May, 1978 (11,417,560 shares).

4. Fixed Assets

(a) Fixed assets of the Group comprise:—

	31st October 1977 £000's	1976 £000's	1975 £000's	1974 £000's	30th June 1973 £000's	1972 £000's
Freehold land and buildings—cost	20	—	272	216	28	12
—valuation	334	334	—	—	—	—
Long leasehold property —cost	7	—	45	43	5	183
—valuation	320	320	289	289	283	—
Short leasehold property —cost	70	22	2	2	5	1
Equipment and motor vehicles—cost	1,404	937	655	446	261	159
	2,155	1,613	1,263	996	582	355
Less—accumulated depreciation	(602)	(371)	(305)	(184)	(96)	(53)
Net	1,553	1,242	958	812	486	302

(b) Freehold and long leasehold properties were valued by Jones, Lang, Wootton, Chartered Surveyors, as at 30th September, 1976. The long leasehold property was previously professionally valued as at 30th June, 1973. The valuations were based on the open market value of the properties with vacant possession and are reflected in the financial information above.

5. Investments in Subsidiary Companies

(a) Investments in subsidiary companies at 31st October, 1977, comprise:—

	£000's
Shares, at cost	24
Share of distributable reserves	2,641
Share of revaluation surpluses, net of attributable deferred taxation	118
Capital reserves arising on acquisitions of minority interests	101
	2,884

(b) The following were the trading subsidiaries of the Company at 31st October, 1977:—

	Date of Incorporation	Issued Capital
Eurotherm Limited	29.6.65	£5,037
Chessell Limited	27.3.72	£962
Shackleton System Drives Limited	11.2.74	£432
Turnbull Control Systems Limited	14.8.74	£105
Eurotherm Exports Limited	18.1.68	£100
Eurotherm International Technical Services Limited	8.11.76	£2,000
Eurotherm (Japan) Limited	1.10.71	£100
Eurotherm International Incorporated (formerly Eurotherm Corporation)—United States of America	1.12.69	U.S.$8,827
Eurotherm Produkte (Schweiz) A.G.—Switzerland	27.10.65	S.Fr. 66,600
Eurotherm Regler GmbH—West Germany	24.1.67	D.M. 150,000
Eurotherm Automation S.A.R.L.—France	3.7.64	F.Fr. 200,000
Eurotherm (Far East) Limited—Hong Kong (95% owned)	15.6.71	H.K. $22,220
Eurotherm (Guernsey) Limited—Guernsey	17.7.73	£5,000
Eurotherm B.V.—Holland	13.9.73	D.Fl. 50,000
Eurotherm S.p.A.—Italy (95% owned)	10.12.73	L.30,000,000

Eurotherm Corporation changed its name to Eurotherm International Incorporated on 25th October, 1977 and, with effect from 1st November, 1977 transferred its existing business operations to two new subsidiaries, Chessell Corporation (91 per cent. owned) and Eurotherm Corporation, both incorporated in the United States of America. Eurotherm International Incorporated acts as a holding company co-ordinating the businesses of these subsidiaries, which have issued capitals of U.S.$8,800 and U.S.$8,000, and were incorporated on 3rd June, 1974 and 21st October, 1977 respectively.

The Company also has the following non-trading subsidiaries:—

	Date of Incorporation	Issued Capital
Solaswere Limited	10.4.70	£100
Chessell Exports Limited	25.2.74	£100
Turnbull Control Systems (Sales) Limited	21.12.76	£100

Except where otherwise stated, the companies are directly or indirectly wholly owned and are incorporated in England as private companies.

6. Stock

Group stock comprises:—

	31st October 1977 £000's	1976 £000's	1975 £000's	1974 £000's	30th June 1973 £000's	1972 £000's
Raw materials and components	1,446	1,066	709	736	258	
Work-in-progress	640	507	323	456	195	343
Finished goods	565	491	298	312	163	
	2,651	2,064	1,330	1,504	616	343

7. Long-Term Debt

Company 31st October 1977 £000's		Final redemption date	Annual rates of interest	Group 31st October 1977 £000's	1976 £000's	1975 £000's	1974 £000's	30th June 1973 £000's	1972 £000's
306	Loan from the Eurotherm Executive Superannuation Scheme	1986	Variable (see below)	306	204	58	—	—	—
—	Mortgages on leasehold property, repayable in half-yearly instalments	1990-1996	9%-11%	56	57	58	59	61	61
—	Mortgages on freehold property, repayable in half-yearly instalments	1983-1988	7%-10%	219	255	234	200	19	11
118	Medium-term loan, secured on leasehold property, repayable in half-yearly instalments	1983	4% over Barclays Bank Limited's base rate	118	138	—	—	—	—
—	Notes payable, secured on equipment and motor vehicles	1981	10%	8	21	7	5	—	—
—	Loan from The Eurotherm Pension Scheme	1977	10%	—	42	108	97	36	48
—	Loan secured on leasehold property	1977	15%	—	5	20	34	53	68
424				707	723	487	395	169	188
21	Less current portion			56	90	73	32	6	—
403				651	633	414	363	163	188

The loan from the Eurotherm Executive Superannuation Scheme bears interest at a rate equivalent to the redemption yield for 5½% Treasury Stock 1986/89 at 30th April in each year.

8. Share Capital

At 31st October, 1977, the share capital of the Company was as follows:—

Authorised—	
200,000 Ordinary shares of 10p each	£20,000
Issued and fully paid—	
103,796 Ordinary shares of 10p each	£10,380

At 31st October, 1977, there are included in the issued and fully paid shares 1,284 shares which the Company had agreed to issue prior to that date but which were in fact issued subsequently.

On 31st December, 1977, the Company increased its authorised share capital to £25,000 by creating an additional 50,000 shares of 10p each and issued as fully paid 103,796 shares at par by way of capitalisation of reserves, on a one-for-one basis.

On 10th May, 1978, the Company further increased its authorised share capital to £1,400,000 by creating an additional 13,750,000 shares of 10p each and issued as fully paid 11,209,968 shares at par by way of capitalisation of reserves, on a fifty-four-for-one basis.

9. Reserves

(a) The movement on Group reserves is as follows:—

	Year ended 31st October 1977 £000's	1976 £000's	1975 £000's	16 months ended 31st October 1974 £000's	Year ended 30th June 1973 £000's
Balance, beginning of period	1,902	1,127	571	278	129
Net profit for the period	1,104	747	545	293	63
Surplus on revaluation of property, net of attributable deferred taxation	—	25	—	—	89
Capital reserve arising on acquisition of minority interests	96	2	3	—	—
Other	8	(3)	8	—	(3)
Balance, end of period	3,110	1,902	1,127	571	278

(b) Group reserves comprise:—

	31st October 1977 £000's	1976 £000's	1975 £000's	1974 £000's	30th June 1973 £000's	1972 £000's
Distributable reserves—						
Company	242	6	—	—	—	—
Subsidiaries	2,641	1,773	1,035	482	189	129
Surplus on revaluation of property, net of attributable deferred taxation	118	118	89	89	89	—
Capital reserve arising on acquisition of minority interests	101	5	3	—	—	—
Share premium	8	—	—	—	—	—
	3,110	1,902	1,127	571	278	129

10. Pension Arrangements

The Group operates two pension schemes in the U.K. as follows:—

(a) The Eurotherm Pension Scheme—this contributory scheme came into operation in 1968. All employees who are in permanent employment with a U.K. Group company and who have attained the age of twenty-one are eligible for membership after three months' employment. An actuarial valuation of the scheme as at 5th April, 1977, by Hymans, Robertson & Co., Consulting Actuaries, confirmed that it was fully funded. The employers' contribution to the scheme amounted to £24,000 in the year ended 31st October, 1977.

Eurotherm International Limited

Continued

(b) The Eurotherm Executive Superannuation Scheme – this scheme was formed in 1975, and all employees, including salaried directors, nominated by any U.K. Group company, are eligible for membership. An actuarial valuation of the scheme by Hymans, Robertson & Co. as at 6th April, 1978 confirmed that the scheme was fully funded. The employers' contribution to the scheme amounted to £100,000 in the year ended 31st October, 1977.

Contributory pension schemes are also operated in certain of the overseas companies.

11. Lease Obligations

The Group leases a number of office and factory premises. Total annual rentals payable as at 31st October, 1977, amount to approximately £50,000 in the U.K. and £88,000 overseas.

12. Dividends

No Group company has declared or paid any dividends to the shareholders of the Company during the period of five years and four months ended 31st October, 1977.

13. Audited Accounts

No audited accounts have been prepared since 31st October, 1977.

Yours faithfully,
ARTHUR ANDERSEN & CO.

PREMISES

The following table gives details of the principal premises occupied by the Group:–

SCHEDULE OF LEASEHOLD PROPERTIES

Occupant	*Location*	*Date Commenced*	*Lease Expires*	*Length of Lease*	*Date of Next Rent Review*	*Basis of Review*	*Current Rent Payable Per Annum*	*Floor Area sq.ft.*
The Company	4th Floor, 8 High Street, Worthing	29.9.1976	28.9.2001	25 yrs.	29.9.1981 and then every 5 years	Full annual market rack rent (upward only)	£4,037	1,307
Technical Services	25 North Street, Lewes	12.2.1968	11.2.2067	99 yrs.	12.2.1988 and then every 20 years	Current market rent for site (upward only)	£225	2,984
Eurotherm	Broadwater Trading Estate, Worthing	28.12.1967	19.5.2063	95 yrs. 142 days	28.12.1987 and then every 20 years	Reasonable rent for site	£650	19,557
	Broadwater Trading Estate, Worthing	2.10.1969	19.5.2063	93 yrs. 229 days	2.10.1989 and then every 20 years	Reasonable rent for site	£340	
	Unit C, Park Nursery Estate, Southdownview Road, Worthing	1.12.1969	30.11.1990	21 yrs.	1.12.1983	Fair rack rent market value	£3,875	2,700
	Units 1 and 2 Hazelwood Trading Estate, Dominion Way, Worthing	13.3.1978	12.3.1998	20 yrs.	13.3.1983 and then every 5 years	Open market rental value (upward only)	£12,000	6,095
Chessell	Broadwater Trading Estate, Worthing	9.7.1971	19.5.2063	91 yrs. 314 days	9.7.1985 and then every 14 years	Current market rent for site	£1,795	14,750
	1st Floor, 3-9 Crickets Parade, Broadwater Street (West), Worthing	29.9.1963	28.9.1984	21 yrs.	—	—	£4,000	7,122
Shackleton	No. 10 Eldon Way, Lineside, Littlehampton	24.6.1976	23.6.2011	35 yrs.	23.6.1981 and then every 5 years	Gross full market rent (upward only)	£10,000	10,220
	No. 11 Eldon Way, Lineside, Littlehampton	25.12.1974	24.12.2009	35 yrs.	24.12.1979 and then every 5 years	As above	£4,350	5,300
Turnbull	Mulberry Lane, Goring-by-Sea, Worthing	23.8.1976	22.8.2001	25 yrs.	23.8.1981 and then every 5 years	Open market rental value (upward only)	£13,000	10,400
Eurotherm Produkte (Schweiz) A.G.	Kanalstrasse 17, CH-8152 Glattbrugg, Switzerland	1.8.1973	—	6 yrs. and thereafter until terminated by 6 months notice to expire on 31st March, 30th June or 30th September in any year	1.8.1978 and then annually	Cost of living index and Bank Rate	S.Fr. 44,544	5,231
Eurotherm Corporation	11440 Isaac Newton Square, North Building 2nd Floor, Reston, Virginia 22090, USA	1.11.1976	31.10.1979	3 yrs.	—	—	US$50,248	11,612
Chessell Corporation	Building 24 Penns Trail, Newtown Industrial Commons, Newtown, Pennsylvania 18940 USA	7.2.1978	6.2.1983	5 yrs.	6.2.1981	Maximum increase 7½% based on actual increase in U.S. Consumer Price Index	US$18,500	10,000
Eurotherm Automation S.A.R.L.	Centre d'Affaires de Dardilly, B.P.15 69570 Dardilly, France	Date of handing over (11.10.1976, subject to final agreement)	10.10.1985 (subject to final agreement)	9 yrs.	10.10.1978 (Subject to final agreement) and then annually	National Construction Cost index published by INSEE	F.Fr. 132,250	7,965

SCHEDULE OF FREEHOLD PROPERTIES

	Location	*Valuation*	*Floor Area sq.ft.*
Eurotherm (Guernsey) Limited	Guelles Lane, St. Peter Port, Guernsey	£210,000	12,866
Eurotherm Regler GmbH	6250 Limburg/Lahn, Ottostrasse, Germany	D.M. 500,000	7,169

STATUTORY AND GENERAL INFORMATION

1. SHARE CAPITAL

(a) The Company

On 10th May, 1976, being the date two years preceding the date of this Offer for Sale, the authorised share capital of the Company was £20,000 divided into 200,000 Ordinary Shares of 10p each of which 100,458 Ordinary Shares had been issued and were fully paid up. Since that date there have been the following changes in the authorised and issued share capital of the Company:–

(i) On 11th July, 1977 1,300 Ordinary Shares of 10p each were allotted credited as fully paid to Mr. P. J. Bellamy in partial consideration of the transfer by him to the Company of his holding of shares in Eurotherm Produkte (Schweiz) A.G.;

(ii) On 20th July, 1977 754 Ordinary Shares of 10p each were allotted and issued for cash at a price (inclusive of premium) of £8 per share;

(iii) On 19th December, 1977 pursuant to arrangements agreed to prior to 31st October, 1977 1,000 Ordinary Shares of 10p each were issued credited as fully paid to Monsieur R. Corlier in consideration of the transfer by him to the Company of his holding of shares in Eurotherm Automation S.A.R.L.;

(iv) On 19th December, 1977 pursuant to arrangements agreed to prior to 31st October, 1977 284 Ordinary Shares of 10p each were issued for cash at a price (inclusive of premium) of £8 per share; and

(v) On 21st December, 1977 the authorised share capital was increased to £25,000 by the creation of 50,000 Ordinary Shares of 10p each and 103,796 Ordinary Shares of 10p each were allotted and issued credited as fully paid up by way of capitalisation of reserves in the proportion of 1 new Ordinary Share for each Ordinary Share previously in issue.

Accordingly, immediately prior to 10th May, 1978, the authorised share capital of the Company was £25,000 divided into 250,000 Ordinary Shares of 10p each of which 207,592 Ordinary Shares were issued and fully paid. By or pursuant to resolutions passed at an Extraordinary General Meeting of the Company on 10th May, 1978 (a) the authorised share capital of the Company was increased to £1,400,000 by the creation of 13,750,000 Ordinary Shares of 10p each, (b) £1,120,996.80, being as to part the balance on share premium account and as to the balance part of the sums standing to the credit of the Company's reserves, was capitalised and applied in paying up 11,209,968 Ordinary Shares of 10p each which were allotted credited as fully paid to the Ordinary Shareholders in proportion to their holdings and (c) new Articles of Association were adopted and the Company became a public company.

(b) Subsidiaries

Pursuant to contract (2) below Mr. Roberto Sergio, the President of Chessell Corporation, acquired a holding of 9.09 per cent. of the issued share capital of Chessell Corporation. Under the terms of the agreement (a) in the circumstances therein specified Eurotherm International Incorporated has the right to require Mr. Sergio to sell, and Mr. Sergio has the right to require Eurotherm International Incorporated or Chessell Corporation to purchase, the said holding of Mr. Sergio; (b) both Eurotherm International Incorporated and Mr. Sergio have pre-emption rights as therein specified over the other's holding of shares in Chessell Corporation; and (c) both the Company and Mr. Sergio have the right on the terms therein specified to require the exchange of Mr. Sergio's holding of Chessell Corporation shares for Ordinary Shares in the Company. The number of Ordinary Shares in the Company to be issued on such exchange is to be calculated on the basis of the formula provided in the Agreement which formula is related to the proportion which the profits of Chessell Corporation bear to the consolidated profits of the Company and its subsidiaries.

Other minority interests in shares in subsidiaries subsist or are being negotiated, as follows:—

(i) Eurotherm Regler GmbH

The issue of D.M.10,000 capital (6.25 per cent. of the issued capital as so enlarged) at market value to the Chief Executive, Dr. H. K. Wagner. It is envisaged that the capital so issued would be exchangeable for fully paid shares in the Company on a basis similar to that explained above in relation to Chessell Corporation and Mr. R. Sergio.

(ii) Eurotherm S.p.A.

1,500 shares (5 per cent. of the existing issued capital) are at present held by the Senior Technical Engineer of Eurotherm S.p.A. There is no agreement relating to the exchange of these shares for fully paid shares in the Company. The issue of a further 1,500 shares at market value is contemplated (approximately 5 per cent. of the issued capital as so enlarged) to Mr. L. Marucci, the Chief Executive of Eurotherm S.p.A., exchangeable for fully paid Ordinary Shares of the Company on a similar basis to that referred to above in relation to Chessell Corporation and Mr. R. Sergio.

(iii) Eurotherm Corporation

It is proposed to issue, for cash, at U.S.$1.50 per share (considered to be market value) an aggregate of 3,000 shares of 10c. each to three senior executives (3.6 per cent. of the issued capital as so enlarged). It is envisaged that the capital so issued would be exchangeable for fully paid shares in the Company on a basis similar to that explained above in relation to Chessell Corporation and Mr. R. Sergio.

(iv) Eurotherm (Far East) Limited

1,110 shares of HK $1 (5 per cent. of the issued capital) are held by Mr. C. Leung, the Chief Executive. It is contemplated that Eurotherm may sell to Mr. Leung a further number of shares, not less than 1,110 and not more than 3,330, for cash at market value. The acquisition by Mr. Leung of 3,330 further shares would result in his holding 20 per cent. of the issued capital of Eurotherm (Far East) Limited. There is no present arrangement for any such shares to be exchangeable for shares of the Company, and no such arrangement is at present envisaged.

Although the maximum number of Ordinary Shares of the Company which may be issued under the above agreement and proposals is not limited other than by way of the application of the respective formulae involved, the Directors are of the opinion that the aggregate number of Ordinary Shares so issued will not exceed 2 per cent. of the present issued share capital.

2. ARTICLES OF ASSOCIATION

The Articles of Association of the Company contain provisions (*inter alia*) to the following effect:–

(i) *Votes of Members.* Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member, who being an individual is present in person or being a corporation is present by a representative, shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every Ordinary Share of 10p of which he is the holder.

(ii) *Directors.* Save as provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.
Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such case each of the Directors concerned (if not debarred from voting as otherwise provided in the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
A Director shall not be required to retire by reason of having attained any particular age and is not required to have a holding of shares in the Company.

(iii) *Borrowing Powers.* The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of inter-company borrowings) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the aggregate of the paid-up share capital of the Company and the consolidated reserves.

3. DIRECTORS' AND OTHER INTERESTS

The interests of the Directors in the share capital of the Company immediately after the Offer for Sale as they will appear in the register maintained under the provisions of the Companies Acts (save in respect of any shares which may be allocated to any of the Directors other than those who are Vendors under this Offer for Sale) will be as follows:—

	Ordinary Shares (Beneficial)	*(Non-Beneficial)*
J. A. Hartnett	2,154,099	82,500
J. L. Leonard	764,691	—
M. J. Somerville	574,614	—
J. D. Wilkinson	33,000	—
B. C. Chessell	377,497	—
G. T. Roberts	5,500	—
J. M. Shackleton	198,678	—
G. F. Turnbull	151,071	—
G. A. Withrington	140,140	—

T. L. Martin will be interested immediately after the Offer for Sale in the aggregate in 1,653,011 Ordinary Shares namely in 1,087,707 Ordinary Shares as beneficial owner, in 322,354 Ordinary Shares as settlor of a settlement in which his wife and children have beneficial interests and in 242,950 Ordinary Shares as settlor of a settlement of which he is a trustee.

Apart from the holdings set out above, the Directors are not aware of any shareholding which will represent more than five per cent. of the issued share capital of the Company.

On 27th May, 1976 G. F. Turnbull, L. Trevillion and J. A. Hartnett who together held all the 1,050 issued ordinary shares of 10p each of Turnbull Control Systems Limited transferred such shares to the Company at a price of 10p per share.

Save as disclosed herein no Director of the Company has, or has had, any interest in any assets which, within two years before the date hereof, have been, or which are proposed to be, acquired, or disposed of by, or leased to the Company or any of its subsidiaries, and no contract or arrangement subsists in which a Director of the Company is materially interested and which is significant in relation to the business of the Group, taken as a whole.

4. OFFER FOR SALE CONTRACT

Under contract (3) below, subject, *inter alia*, to the Council of The Stock Exchange admitting the Ordinary Shares of the Company to the Official List not later than 26th May, 1978, the Vendors (T. R. Brewer, The Caledonian Trust Company Limited, The Clydesdale Investment Company, Limited, B. C. Chessell, L. M. Cobbold, Glendevon Investment Trust Limited, A. J. Hartnett, A. J. Hartnett and L. M. Cobbold, D. W. Hartnett, J. A. Hartnett, J. A. Hartnett and J. W. Hartnett, J. L. Leonard, T. L. Martin, T. L. Martin and H. R. Martin, J. E. B. Rae and Dr. P. Wellings, Scottish Northern Investment Trust Limited, The Scottish Western Investment Company Limited, The Second Great Northern Investment Trust Limited, J. M. Shackleton, M. J. Slevin, M. J. Somerville, L. Trevillion and G. F. Turnbull) have agreed to sell to Robert Fleming & Co. Limited ("Robert Fleming") 2,854,390 Ordinary Shares of 10p each of the Company at 98p per share and Robert Fleming has agreed to purchase such shares and to offer them to the public. Under this contract Robert Fleming will pay underwriting commissions of 1¼ per cent. of the price at which the shares are being offered for sale and a fee to the Brokers; the Company will pay a fee to Robert Fleming (out of which Robert Fleming will pay its own legal expenses) and all other expenses of or incidental to this Offer for Sale. The expenses payable by the Company are estimated to amount to approximately £200,000 exclusive of V.A.T.

5. CONTRACTS

(a) *Material*

The following contracts, not being contracts in the ordinary course of business, have been entered into within two years before the date hereof and are or may be material:—

(1) Dated 18th February, 1977, being an agreement between J. A. Hartnett, J. L. Leonard, M. J. Somerville, B. C. Chessell, J. M. Shackleton and five others and Eurotherm, whereby Eurotherm acquired the preferred ordinary shares held by them in Eurotherm Produkte (Schweiz) A. G. and A. G. fur Elektronische Kontrolle (since liquidated) for a total consideration of £40,320.

(2) Dated 21st October, 1977 being an agreement between the Company, Eurotherm International Incorporated and Mr. Roberto Sergio concerning the formation and operation of Chessell Corporation as summarised in paragraph 1(b) above.

(3) Dated 10th May, 1978, being the Offer for Sale Contract between the Vendors named above, the Directors, the Company and Robert Fleming, mentioned in paragraph 4 above.

(4) Dated 10th May, 1978 being a Deed of Indemnity between B. C. Chessell, A. J. Hartnett, A. J. Hartnett and L. M. Cobbold, J. A. Hartnett, J. A. Hartnett and J. W. Hartnett, J. L. Leonard, T. L. Martin, T. L. Martin and H. R. Martin, J. E. B. Rae and Dr. P. Wellings, J. M. Shackleton, M. J. Somerville and G. F. Turnbull, Robert Fleming and the Company and its subsidiaries relating to the indemnities referred to in paragraph 6 below.

(b) *Service Agreements*

J. A. Hartnett, M. J. Somerville, J. D. Wilkinson, B. C. Chessell, G. T. Roberts, J. M. Shackleton, G. F. Turnbull and G. A. Withrington have service agreements dated 10th May, 1978 with the Company for periods of three years from 1st April, 1978 at annual salaries (subject, except in the case of J. A. Hartnett, to cost of living variations) of £15,000, £23,000, £21,000, £23,000, £21,000, £23,000, £21,000 and £23,000 respectively. In addition J. A. Hartnett has an agreement dated 24th August, 1976 with Eurotherm B.V., for the period expiring 10th March, 1984 at an annual salary of D.Fl.81,750 and J. L. Leonard has a service agreement dated 10th May, 1978 with Eurotherm International Incorporated for a period of three years at an annual salary of U.S.$60,000 (subject to a cost of living variation).

6. TAXATION

The Directors have been advised that following the completion of this Offer for Sale the Company will remain a close company within the meaning of the Income and Corporation Taxes Act 1970.

Clearances under Schedule 16, Finance Act 1972 have been obtained for all relevant periods up to the period ended 31st October, 1976 in respect of all relevant companies in the Group.

Pursuant to contract (4) above certain shareholders have given indemnities to the Company and Robert Fleming in respect of any depletion of the assets of the Company or its subsidiaries by reason of capital transfer tax and other taxation.

7. PROFIT FORECAST ASSUMPTIONS AND LETTERS

(a) Bases and Assumptions

The profit forecast for the year ending 31st October, 1978 is based on the results of the Group for the five months ended 31st March, 1978 as shown in the unaudited management accounts of the constituent companies and on the following assumptions:—

1. The rate of increase in sales volume that has taken place since the beginning of the Group's previous financial year will continue for the balance of the current year, with no major change in either sales mix or prices to customers.
2. Wages and salary costs are based on the manning levels necessary to fulfil the current year's sales forecast and to sustain further growth. They include the effect of all pay increases made, or expected to be made, during the year. Price increases for the year of approximately 17 per cent. have been budgeted for raw materials and components.
3. Manufacturing and other overhead costs will not increase significantly during the balance of the year.
4. International exchange rates, interest rates and import and export regulations will not change materially and trading will not be affected by government intervention or industrial disputes.

(b) Letters

The following are copies of letters which have been received by the Board of the Company relating to the profit forecast for the year ending 31st October, 1978:—

The Directors,
Eurotherm International Limited,

1 Surrey Street,
London WC2R 2PS.
10th May, 1978

Dear Sirs,

The profit forecast for the year ending 31st October, 1978 (for which the Directors of Eurotherm International Limited are solely responsible) is set out in the Chairman's letter included in the document dated 10th May, 1978 issued in connection with the offer for sale of 2,854,390 Ordinary Shares of 10p each of Eurotherm International Limited. The profit forecast, which includes results based on the unaudited management accounts of Eurotherm International Limited and subsidiary companies for the five months ended 31st March, 1978 is based upon the assumptions set out in the document referred to above.

We have examined the accounting policies and calculations adopted in arriving at the profit forecast. In our opinion, the profit forecast for the year ending 31st October, 1978, so far as the accounting policies and calculations are concerned, has been properly compiled using the assumptions referred to in the previous paragraph and on a basis consistent with the accounting policies used by Eurotherm International Limited and subsidiary companies during the period of five years and four months ended 31st October, 1977. These accounting policies are set out in our Report which is included in the above document.

Yours faithfully,
ARTHUR ANDERSEN & CO.

The Directors,
Eurotherm International Limited,

8 Crosby Square,
London EC3A 6AN.
10th May, 1978

Dear Sirs,

We refer to the profit forecast for the year ending 31st October, 1978 set out in the Chairman's letter included in the document dated 10th May, 1978 issued in connection with the offer for sale of 2,854,390 Ordinary Shares of 10p each of Eurotherm International Limited.

We have discussed with yourselves the bases and assumptions on which the profit forecast was made. We have also considered the letter dated 10th May, 1978 addressed to yourselves from Arthur Andersen & Co. regarding the accounting policies and calculations adopted in arriving at the profit forecast.

On the basis of the above, we consider that the profit forecast (for which you are solely responsible) has been made with due care and attention.

Yours faithfully,
ROBERT FLEMING & CO. LIMITED
J. D. CROSLAND,
Director.

8. GENERAL

1. Save as disclosed herein (i) no share or loan capital of the Company or its subsidiaries is under option or agreed conditionally or unconditionally to be put under option, (ii), no share or loan capital of the Company or (save for intra-group transactions and capitalisation issues) its subsidiaries has, within the two years before the date hereof, been issued, agreed to be issued or is now proposed to be issued either for cash or otherwise and (iii) no commissions, discounts, brokerages or other special terms have been granted within the said two years by the Company or its subsidiaries in connection with the issue or sale of any part of their respective share or loan capitals. No material issue of shares of the Company (other than to shareholders *pro rata* to existing holdings) will be made within one year of the publication hereof without the prior approval of the Company in General Meeting. No issue will be made which would effectively alter the control of the Company or the nature of its business without the prior approval of the Company in General Meeting.

2. Details of the subsidiaries are as stated in the Accountants' Report.

3. At present, some 78 per cent. of the Eurotherm Executive Superannuation Scheme funds is invested by way of loan to the Company. As from 1st November, 1977 no further moneys will be borrowed by the Company from the Scheme.

4. The Directors of the Company are of the opinion that, having regard to the cash resources and available bank facilities, the Group has sufficient working capital for its present requirements.

5. Neither the Company nor any subsidiary is engaged in or has, so far as the Directors are aware, any litigation or claim of material importance pending or threatened against it.

6. Arthur Andersen & Co. have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion herein of their Report and their letter on the profit forecast and the references thereto in the forms and contexts in which they are included.

7. Robert Fleming has given and has not withdrawn its written consent to the issue of this Offer for Sale with the inclusion herein of its letter on the profit forecast and the reference thereto in the form and context in which it is included.

8. Jones, Lang, Wootton, Chartered Surveyors, have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion herein of the reference to their valuation in the form and context in which it is included.

9. Hymans, Robertson & Co., Consulting Actuaries, have given and have not withdrawn their written consent to the issue of this Offer for Sale with the inclusion herein of the references to their actuarial valuations in the forms and contexts in which they are included.

10. The above-mentioned consents, a statement of the adjustments made by Arthur Andersen & Co. in arriving at the figures set out in their Report and the reasons therefore and copies of the material contracts listed above were attached to the copies of this Offer for Sale and the forms of application delivered to the Registrar of Companies for registration.

11. No part of the consideration in respect of the shares to which this Offer for Sale relates will be received by the Company.

12. The Company was incorporated in England under the Companies Acts 1948 to 1967 on 22nd August, 1973 and is registered in England No. 1223911. Robert Fleming, registered in England No. 202511, has its registered office at 8 Crosby Square, London EC3A 6AN.

13. Copies of the following documents may be inspected at the offices of Linklaters & Paines, Barrington House, 59/67 Gresham Street, London EC2V 7JA during usual business hours for a period of 14 days from the date of publication of this Offer for Sale:—

(a) the Memorandum and Articles of Association of the Company;
(b) the audited consolidated accounts of the Company for the financial years ended 31st October, 1976 and 1977;
(c) the material contracts and Directors' Service Agreements referred to above;
(d) the Accountants' Report and statement of adjustments mentioned above;
(e) the Jones, Lang, Wootton valuation referred to above;
(f) the Hymans, Robertson & Co. valuations referred to above; and
(g) the written consents referred to above.

10th May, 1978

PROCEDURE FOR APPLICATION

Applications (which must be for a minimum of 200 Shares and in multiples of 100 Shares up to 2,000 Shares, in multiples of 500 Shares between 2,000 and 5,000 Shares, in multiples of 1,000 Shares between 5,000 and 25,000 Shares and thereafter in multiples of 5,000 Shares) must be made on the Application Forms provided and forwarded to Barclays Bank (London and International) Limited, New Issues Department, P.O. Box 123, 2 London Wall Buildings, London Wall, London EC2P 2BU to arrive not later than 10 a.m. on 18th May, 1978.

Each Application Form must be accompanied by a separate cheque (which must be drawn on a bank in and be payable in England, Scotland or Wales) in respect of the full amount payable on application, made payable to Barclays Bank (London and International) Limited and crossed "Not Negotiable". No application will be considered unless the above conditions are fulfilled.

Robert Fleming reserves the right to present all cheques for payment on receipt, to retain Letters of Acceptance and surplus application moneys pending the clearance of all cheques and to reject or scale down applications and, in particular, multiple and suspected multiple applications. Due completion and delivery of a Form of Application accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation; attention is drawn to the declaration in the Form of Application to that effect.

Preferential consideration will be given in respect of a maximum of 285,439 Ordinary Shares to applications made by employees and by directors on the special forms provided for the purpose. Such applications must be for a minimum of 50 Shares and in multiples of 50 Shares.

Acceptance of applications will be conditional upon the whole of the issued share capital of the Company being admitted to the Official List of The Stock Exchange, not later than 26th May, 1978. Moneys paid in respect of applications will be returned if such admission to the Official List has not been granted by that date and, in the meantime, will be retained by Barclays Bank (London and International) Limited in a separate account.

If any application is not accepted, the amount paid on application will be returned in full and, if any application is accepted for fewer Shares than applied for, the balance of the amount paid on application will be returned by cheque through the post, in either case at the applicant's risk.

Letters of Acceptance will be renounceable up to 5th July, 1978. The Shares now being Offered for sale will be registered free of stamp duty and registration fees in the names of the purchasers or persons in whose favour Letters of Acceptance have been renounced, provided that; in the case of renunciation, Letters of Acceptance duly completed in accordance with the instructions contained therein are lodged for registration on or before 5th July, 1978. Share certificates will be despatched on 2nd August, 1978.

No. of Shares	*Amount Payable* £
200	200
300	300
400	400
500	500
600	600
700	700
800	800
900	900
1,000	1,000
5,000	5,000
10,000	10,000
20,000	20,000
50,000	50,000
100,000	100,000

Copies of this Offer for Sale with Application Forms can be obtained from the following:–

EUROTHERM INTERNATIONAL LIMITED
8 High Street, Worthing, Sussex, BN11 1NU

ROBERT FLEMING & CO. LIMITED
8 Crosby Square, London, EC3A 6AN

HENDERSON CROSTHWAITE & CO.
194-200 Bishopsgate, London, EC2M 4LL

BARCLAYS BANK (LONDON AND INTERNATIONAL) LIMITED
2 London Wall Buildings, London Wall, London, EC2P 2BU
and Principal Branches of Barclays Bank Limited and the Bank of Scotland.

THE APPLICATION LIST WILL OPEN AT 10 a.m. ON THURSDAY, 18th MAY, 1978 AND WILL CLOSE AT SUCH LATER TIME ON THE SAME DAY AS ROBERT FLEMING & Co. LIMITED MAY DETERMINE.

This Form should be filled in and forwarded to Barclays Bank (London and International) Limited, New Issues Department, P.O. Box 123, 2 London Wall Buildings, London Wall, London EC2P 2BU together with a cheque for the full amount payable on application, so as to arrive not later than 10 a.m. on Thursday, 18th May, 1978. Cheques, which must be drawn on a bank in and be payable in England, Scotland or Wales, must be made payable to "Barclays Bank (London and International) Limited" and be crossed "Not Negotiable" and are liable to be presented for payment on receipt. A separate cheque must accompany each application.

Form of Application

Robert Fleming & Co. Limited

Offer for Sale

2,854,390 Ordinary Shares of 10p each at 100p per share (payable in full on application) of

Eurotherm International Limited

To: ROBERT FLEMING & CO. LIMITED

Gentlemen,

Number of shares for which application is made ★	*Amount of cheque enclosed*
	£

★ Applications must be for a minimum of 200 shares; applications for up to 2,000 shares must be in multiples of 100 shares, between 2,000 and 5,000 shares in multiples of 500 shares, between 5,000 and 25,000 shares in multiples of 1,000 shares, and above 25,000 shares in multiples of 5,000 shares.

I/We enclose a cheque payable to Barclays Bank (London and International) Limited for the above-mentioned sum, being the amount payable in full on application for the stated number of the above Ordinary Shares of 10p each at 100p per share and I/we offer to purchase that number of shares and I/we agree to accept the same or any smaller number in respect of which this application may be accepted upon the terms of your Offer for Sale dated 10th May, 1978 and subject to the Memorandum and Articles of Association of the Company. I/We request that you send to me/us a fully paid renounceable Letter of Acceptance in respect of such Ordinary Shares, together with a cheque for any amount overpaid, by post at my/our risk to my/our address first given below.

An Applicant who is unable to make the following Declaration should delete it and consult an Authorised Depositary* (or an Approved Agent in the Irish Republic†) through whom lodgement should be effected.

I/We declare that I am/we are not resident outside the Scheduled Territories‡ and am/are not acquiring the Ordinary Shares as the nominee(s) of any person(s) resident outside those Territories.

I/We understand that due completion and delivery of this Application Form accompanied by a cheque will constitute a representation that the cheque will be honoured on first presentation. I/We acknowledge that Letters of Acceptance and cheques for excess application moneys are liable to be held pending clearance of applicants' cheques.

Date ________ Signature ________

PLEASE USE BLOCK LETTERS

← Forename
← Surname and designation (Mr., Mrs., Miss or Title)
← Address (in full)

2 ________ *Signature*

Forename(s) (in full) ________ *Surname and designation (Mr., Mrs., Miss or Title)* ________

Address (in full) ________

Please pin top left corner of cheque here.

3 ________ *Signature*

Forename(s) (in full) ________ *Surname and designation (Mr., Mrs., Miss or Title)* ________

Address (in full) ________

4 ________ *Signature*

Forename(s) (in full) ________ *Surname and designation (Mr., Mrs., Miss or Title)* ________

Address (in full) ________

ALL JOINT APPLICANTS MUST SIGN

A corporation should sign under the hand of a duly authorised official who should state his representative capacity.

No receipt will be issued for the payment on application but an acknowledgement will be forwarded in due course through the post by fully paid renounceable Letter of Acceptance and/or return of application moneys or any excess thereof.

EXCHANGE CONTROL ACT 1947

*Authorised Depositaries are listed in the current issue of the Bank of England's Notice E.C.1 and include most Banks and Stockbrokers in, and Solicitors practising in, the United Kingdom, the Channel Islands or the Isle of Man.

†An Approved Agent in the Irish Republic is defined in the current issue of the Bank of England's Notice E.C.10.

‡The Scheduled Territories at present comprise:—the United Kingdom, the Channel Islands, the Isle of Man, the Republic of Ireland and Gibraltar.

OVERSEAS MARKETS

INTERNATIONAL BONDS

BY MARY CAMPBELL

Increased activity in dollar sector

THE DOLLAR sector—and particularly the yankee bond market—leapt into activity last week just as the last two months of weakness in the D-mark sector was finally acknowledged by the decision on Friday that the market would be closed to foreign borrowers for at least 3½ weeks.

Total new offerings for foreign borrowers filed with the U.S. Securities and Exchange Commission last week amounted to $795m. In Europe, two of the four new issues announced were small in size with the total volume of new offerings announced amounting to $195m.

Issue managers are agreed that the main reason for this spurt in new issue activity was an attempt to get in before US dollar interest rates go up further. Although last week's rise in the US official discount rate had been expected and thus had limited impact on market sentiment, the latest weekly US money supply figures announced over Thursday night showed a near record $4bn. jump and are expected to herald further tightening moves by the Federal Reserve.

According to Henry Kaufman, Salomon Brothers' influential economist, there is a third even more important pointer towards higher rates. In his latest weekly comment he particularly highlights the decision last week to permit deposit institutions to issue floating rate certificates of deposit.

He describes this move as "the most disturbing bearish development for interest rates" last week, saying that it "must be viewed as another step to institutionalise inflation and intensify the struggle for funds." He concludes his weekly comment with the gloomy prediction that "another very powerful fuse has been lit beneath the interest rate structure. The final result is likely to be an explosion that may well carry key rates in the long term bond markets to new secular high levels."

If Henry Kaufman proves right, the outlook may be bearish indeed for the international bond markets. Last week's developments came at a time when there were already strong arguments for the view that the dollar was due for a recovery against most other currencies. This expectation has already had a considerable impact on the D-mark sector, even allowing for the fact that issue managers (notably Deutsche Bank) continued to launch bonds on a large scale after the market had already begun to weaken. A sharp rise in U.S. dollar rates would presumably hit both the dollar and D-mark—the two key sectors of the international bond market—the dollar sector through interest rate considerations and the D-mark sector through currency factors.

The one sector which may be expected to benefit substantially from these circumstances is the floating rate note sector.

The temporary closure of the D-mark sector at Friday's unusual mid-month meeting of the Capital Markets Sub-Committee was widely welcomed by most participants in the D-mark sector. As one of them put it, if one includes Canada's DM 600m. in the calendar for this month, issue volume had already reached a figure which was hardly disgraceful for any full month.

The last meeting of the sub-committee had already introduced a new restriction—the terms of any individual issue had to be approved by the committee the day before the issue was due, a procedure which caused one issue, for Austria, to be lost last week. It remains to be seen on what terms the next meeting, scheduled for June 7, will consider reopening the market.

The D-mark foreign bond market has in fact recovered significantly from its weakest point three weeks ago. While it is undeniable that there is a lot of paper overhanging the market, the major change in the last couple of weeks has been the deterioration of the domestic bond market and this was undoubtedly a factor in Friday's decision.

The Ito Yokado issue is the first under the new Japanese policy of allowing Japanese companies to issue bonds abroad without a bank guarantee, a policy which is thought to open up the way for foreign companies to issue unmortgaged bonds on the Japanese market.

Francis Ghiles reports from last Friday's annual meeting of the Association of International Bond Dealers (AIBD) in Zurich: The AIBD is drawing up a code of conduct on procedures relating to the Eurobond new issue business, Mr. S. Yassukovich chairman of the AIBD, announced in his opening address.

He delivered a discreetly worded but unmistakable warning to the Eurobond primary market suggesting that unless market practices were improved by self-regulation, international institutions might move in to impose rules. One problem he mentioned in this connection arose from the system of selling group discounts; another was the concentration of underwriting in ever fewer hands.

Dealers attending the meeting suggested that unless the proposed new code of conduct turns out to be purely a public relations exercise to ward off interference from official authorities, it is likely to cause considerable controversy among issue managers, many of whom consider that primary market practices are no concern of the AIBD.

Fifty new members have joined the AIBD in the last year, bringing the membership to 486 and there are fifteen further applications under consideration. A Middle East Region has been created.

BONDTRADE INDEX AND YIELD

	May 12		May 5		1978 High	1978 Low
Medium term ...	99.62	7.87	99.72	7.85	99.84 (19/4)	99.15 (16/2)
Long term	93.76	8.37	93.92	8.34	94.07 (19/4)	93.83 (13/1)

EUROBOND TURNOVER
(nominal value in $m.)

	U.S. dollar bonds last week	U.S. dollar bonds previous week	Other bonds last week	Other bonds previous week
Euroclear	1,540.3	677.7	328.7	224.9
Cedel	1,008.5	281.2	255.4	220.3

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Prov. of Newfoundland	50	1990	¶	9¼	100½	CCF	9.18
‡Dev. Fin. Corp. of N.Z.	20	1983	4.5	8¼	99½	Citicorp Int.	8.31
‡Dev. Fin. Corp. of N.Z.	20	1985	¶	8½	99	Citicorp Int.	8.57
Ontario Hydro	125	1985	7	8¼	*	Deutsche Bank	*
Occidental	75	1985	¶	8¾	*	Dean Witter	*
††Australia	150	1983	5	*	*	Morgan Stanley	*
††Australia	100	1993	11	*	*	Morgan Stanley	*
††§Ito-Yokado	50	1993	—	*	*	Goldman Sachs	*
††Ito-Yokado	20	1983	5	*	*	Goldman Sachs	*
††Sweden	125	1998	12.94	*	*	Salomon Bros.	*
††CCCE (g'teed France)	75	1998	13	*	*	Dillion Read	*
Canadair	70	1983	5	8½	*	Merrill Lynch Int.	*
AGA	25	1988	7	9¼	*	Hambros	*
Dominion Bridge	25	1986	8	9	*	Orion	*
††Nova Scotia Power	75	2008	30	*	*	Merrill Lynch	*
††Ontario Prov.	200	2008	n.a.	*	*	Salomon Bros.	*
D-MARKS							
‡§Seiyu	100	1986	—	3¾	100	West LB	3.79
‡Eur. Resettlement Fd.	100	1988	8	6½	100	BHF Bank	6.125
Ind. Bank of Japan	100	1984	n.a.	5	*	Deutsche Bank	*
‡**Johannesburg (g'teed S.A.)	50	1982	4	7¾	100	BHF Bank and others	7.75
§Nippon Shinpan	50	1985	—	3¾	100	BHF Bank	3.79
**Danish Export Fin.	100	1983	3	5½	*	West LB	*
GUILDERS							
‡Finland	75	1988	5.5	7½	100	ABN	7.5
Eur. Invest Bk.	125	1993	10.5	7¼	*	AmRo	*
YEN							
‡Venezuela	40bn.	1990	10.32	6.4	99.9	Yamaichi Sec.	n.a.
‡Quebec Prov.	30bn.	1990	10.32	6.4	99.4	Nomura Sec.	n.a.
SWISS FRANCS							
Mortgage Bank (g'teed Denmark)	80	1990	n.a.	4½	*	UBS	*
SAUDI RIYALS							
‡**Korea Exchange Bk.	50	1983	5	7¾	100	Nat. Commercial Bank	7.75
AUSTRALIAN DOLLARS							
‡Rank	12	1983	5	11½	100	N. M. Rothschild	11.5

* Not yet priced ‡ Final terms ** Placement † Floating rate note ‖ Minimum § Convertible
†† Registered with U.S. Securities and Exchange Commission ¶ Purchase Fund
Note: Yields are calculated on AIBD basis.

Indices

NEW YORK—DOW JONES

	May 12	May 11	May 10	May 9	May 8	May 5	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial...	840.70	834.20	822.16	822.07	824.58	829.09	844.33 (1/5)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	88.81	88.80	88.74	88.80	88.89	88.90	90.86 (4/1)	88.80 (3/0)	—	—
Transport....	227.75	224.68	222.00	221.51	223.41	224.78	227.25 (12/5)	199.61 (3/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities......	104.60	104.47	104.63	104.84	105.48	105.85	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	46,600	36,650	33,330	30,860	34,680	42,680	—	—	—	—

*Basis of Index changed from August 24

	May 8	April 28	April 21	Year ago (approx.)
Ind. div. yield %	5.61	5.58	5.75	4.60

STANDARD AND POORS

	May 12	May 11	May 10	May 9	May 8	May 5	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
‡Industrials	108.44	107.48	105.96	105.92	106.25	106.64	108.44 (12/5)	96.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	98.07	97.20	95.92	95.90	96.19	96.53	98.07 (12/5)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	May 11	May 5	Apr. 19	Year ago (approx.)
Ind. div. yield %	5.04	5.02	5.14	4.40
Ind. P/E Ratio	9.16	9.18	8.94	10.22
Long Govt. Bond yield	8.43	8.39	8.50	7.80

N.Y.S.E. ALL COMMON

May 12	May 11	May 10	May 9	1978 High	1978 Low
54.85	54.38	53.72	53.68	54.85 (12/5)	48.37 (6/3)

Rises and Falls

	May 12	May 11	May 10
Issues traded	1,915	1,911	1,901
Rises	1,014	1,004	795
Falls	510	528	605
Unchanged	391	379	501
New Highs	254	165	113
New Lows	35	39	29

MONTREAL

	May 12	May 11	May 10	May 9	1978 High	1978 Low
Industrial	179.25	177.74	177.60	177.72	181.47 (17/4)	162.80 (16/2)
Combined	186.66	185.51	185.27	185.29	187.86 (17/4)	170.82 (30/1)
TORONTO Composite	1100.8	1095.8	1091.9	1091.8	1100.8 (12/5)	998.2 (30/1)
JOHANNESBURG Gold	200.7	201.5	197.5	194.9	218.7 (1/2)	185.0 (30/4)
Industrials	222.6	222.8	221.9	221.1	222.8 (11/5)	194.9 (15/3)

	May 12	Pre-vious	1978 High	1978 Low
Australia (¶)	484.29	482.40	484.29 (12/5)	441.43 (1/00)
Belgium (‖)	100.56	100.08	101.16 (8/5)	89.78 (10/5)
Denmark (**)	94.95	94.48	98.15 (9/1)	94.00 (8/2)
France (††)	65.5	66.4	68.7 (26.4)	47.6 (3/2)
Germany (‡‡)	765.4	767.8	812.7 (10/2)	765.4 (12/5)
Holland (§§)	80.8	80.3	82.1 (10.5)	76.0 (4/4)
Hong Kong (¶¶)	450.42	449.77	461.83 (11/5)	383.44 (13/1)
Italy (‖‖)	61.29	60.83	63.96 (6/3)	56.45 (10/1)
Japan (a)	412.21	410.86	416.11 (19/4)	364.04 (4/1)
Singapore (b)	306.73	307.26	308.73 (12/5)	262.0 (1/60)

	May 12	Pre-vious	1978 High	1978 Low
Spain (d)	106.46	108.05	110.78 (9/5)	87.82 (17/3)
Sweden (c)	384.07	383.33	397.95 (3/5)	325.74 (5/1)
Switzerl'd (f)	293.1	289.0	296.36 (14/4)	279.0 (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961 (‡‡) Commerzbank Dec., 1953. (§§) Amsterdam, Industrial 1970 (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68 (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77 (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

OVERSEAS SHARE INFORMATION

Inv. $ Prem. $2.60 to £—109¼% (109%)
Effective rate (1.8200) 46¼% (46¼%)

NEW YORK

[illegible]

CANADA

[illegible]

GERMANY ♦

[illegible]

JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

Securities Rand $US0.73
(Discount of 36.53%)

AUSTRALIA

[illegible]

PARIS

[illegible]

VIENNA

[illegible]

BRAZIL

[illegible]

OSLO

[illegible]

SPAIN ♥

[illegible]

	Per cent.	
Papeleras Reunidas ...	70.5	— 2.5
Petroliber ...	130	—
Petroleos ...	201	— 4
Sarrio Papalera ...	64	— 4
Sniace ...	48	— 1
Sogefisa ...	125	—
Telefonica ...	90	— 1
Torras Hostench ...	96	—
Tubacex ...	125	+ 3
Union Elec. ...	86.75	+ 0.25

AMSTERDAM

[illegible]

TOKYO ¶

[illegible]

Source Nikko Securities, Tokyo

COPENHAGEN ♣

[illegible]

SWITZERLAND ●

[illegible]

STOCKHOLM

[illegible]

MILAN

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

† Bid. ‡ Asked. § Traded. ‖ New Stock.

New project by Kowloon Wharf

By Anthony Rowley

HONG KONG, May 11.

THE HONG KONG and Kowloon Wharf and Godown Company, one of the biggest property development groups here, is to undertake a major project known as "Harbour City" in Tsimshatsui in Kowloon.

The five-phase development, which will include a 500-room hotel, 239 residential apartments, 400,000 sq ft of office space and 300,000 sq ft of shopping space, is scheduled for completion in early 1980.

Architects are the Hong Kong firm of Eric Cumine Associates. Projected cost of the development has not been disclosed.

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax. ♦ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. unless otherwise stated. ¥ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. ‡ Traded. § Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. Δ Interim since increased.

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

FINANCIAL TIMES STOCK INDICES

	May 12	May 11	May 10	May 9	May 8	May 5	A year ago
Government Secs.	71.02	70.97	71.01	71.12	71.43	71.73	70.39
Fixed Interest	72.36	72.23	73.17	72.80	72.65	72.34	70.21
Industrial Ordinary	488.3	479.9	475.0	471.1	480.1	481.5	467.6
Gold Mines	146.6	150.0	148.4	144.1	145.1	141.9	117.0
Ord. Div. Yield	5.49	5.58	5.64	5.68	5.58	5.58	4.92
Earnings, Y'ld(full)*	16.65	16.92	17.11	17.23	16.94	16.93	15.17
P/E Ratio (net)(*)	8.04	7.91	7.82	7.77	7.90	7.90	9.67
Dealings marked	5,039	5,061	5,435	6,010	5,412	5,741	7,895
Equity turnover £m	—	80.23	72.42	71.13	74.12	98.60	167.92
Equity bargains total	—	15,098	16,065	15,767	17,461	17,444	27,052

10 a.m. 481.9. 11 a.m. 483.2. Noon 483.2. 1 p.m. 483.4.
2 p.m. 483.4. 3 p.m. 483.5.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. Nil=7.59.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (3/1)	70.97 (11/5)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	72.17 (10/5)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (3/4)	130.3 (6/3)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	May 12	May 11
—Daily		
Gilt-Edged	152.5	132.6
Industries	180.7	186.0
Speculative	37.8	36.7
Totals	114.7	115.2
5-day Av'rage		
Gilt-Edged	152.9	152.2
Industrials	196.9	204.6
Speculative	37.4	36.0
Totals	128.7	125.9

FT—ACTUARIES INDICES

	May 12	May 11	May 10	May 9	May 8	May 5	A Year ago
Industrial Group	212.65	210.48	208.40	207.83	210.99	211.13	184.82
500 Share	236.32	234.18	231.90	231.37	234.71	234.05	210.72
Div. Yield p.c.	5.34	5.39	5.44	5.45	5.37	5.38	5.28
P/E Ratio (net)	8.19	8.12	8.04	8.02	8.14	8.13	9.61
All Shares	218.06	216.52	214.02	213.75	217.05	216.28	193.84

For New Court Property see under Rothschild Asset Management

NOTES

Prices do not include $ premium except where indicated †, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 486-491

INSURANCE BASE RATES

† Property Growth 9¼%
† Vanbrugh Guaranteed 8¼%
† Address shown under Insurance and Property Bond Table

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
14J	14Ju	Treasury 10½pc '78‡‡	100⅛	8.12	10.47	8.50
26M	26S	Exch. 5pc '76-78‡‡	98⅝	17.2	5.07	8.75
9M	9S	Treasury 11½pc '79‡‡	102	31.1	11.27	8.84
17M	17S	Treasury 3pc '79‡‡	95	8.3	3.16	6.94
26M	26S	Electric 4½pc '74-79	95¼	17.2	4.44	7.55
1M	1N	Treasury 10½pc '79‡‡	101⅛	28.3	10.39	9.66
15M	15N	Electric 3½pc '76-79	95⅝xd	10.4	3.66	6.68
3M	3S	Treasury 9pc 1980‡‡	98⅞	25.1	9.10	9.66
14M	14N	Treasury 9½pc '80‡‡	99¾xd	7.4	9.52	9.64
15J	15D	Treasury 3½pc '77-80	93⅝xd	9.5	3.74	6.84
15J	15D	Funding 5¼pc '78-80‡‡	95¼xd	9.5	5.52	7.84
25M	25N	Exchequer 13pc 1980‡‡	105⅜xd	16.4	12.33	10.48
15J	15Ju	Treasury 11½pc 1981‡‡	101⅞	9.12	11.28	10.62
15F	15A	Treasury 3½pc 1979-81	89½	9.1	3.91	7.79
1A	1O	Treasury 9¾pc 1981‡‡	98⅜	23.2	9.91	10.40
12J	12D	Exch. 8¼pc 1981	94¹¹⁄₁₆xd	—	8.71	10.32
4F	4A	Exch. 9½pc 1981	96¾	20.12	9.82	10.71
21F	21A	Exch. 3pc 1981	86¼	16.1	3.48	7.85
17M	17N	Treas. Variable '81‡‡	96⅜xd	10.4	6.36	10.08
23M	23N	Exch. 12¾pc 1981‡‡	105⅜xd	17.4	12.10	10.86
15J	15Ju	Treas. 8½pc '80-82‡‡	94⅛	9.12	9.03	10.45
15F	15A	Treasury 3pc '82‡‡	84⅜	9.1	3.56	7.88
16M	16S	Treasury 14pc '82‡‡	109⅜	7.2	12.80	10.91
15J	15D	Treas. Variable '82‡‡	95⅜xd	8.11	6.80	8.91
5J	5Ju	Treasury 8¼pc '82	91¹¹⁄₁₆	1.12	9.09	10.79
22M	22S	Exch. 9¼pc 1982	94⅞	13.2	9.78	10.82
22M	22S	Exch. 9¼pc 1982 A	E94¾	—	9.76	10.79
5Ju	5J	Exch. 8¾pc 1983	92⅞	—	9.47	10.85

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 46⅝% (based on $US1.8285 per £)

Conversion factor 0.6827 (0.6822)

CANADIANS

S.E. List Premium 46⅝% (based on $2.0313 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPBUILDERS, REPAIRERS

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INV. TRUSTS—Continued

Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

Dividends Paid	Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's
—	Burma Mines 17½p	17	575	—	—	—
Aug. Feb.	Cons. Murch. 10c	245	3.1	Q30c	2.6	7.3
November	Northgate C$1	355	30.9	—	—	—
Jan. June	R.T.Z.	209xd	25	9.5	2.8	6.9
—	Sabina Inds. C$1	34	—	—	—	—
—	Tara Exptn. $1	£10	—	—	—	—
Nov. July	Tehidy Minerals 10p	45xd	25	1.33	ϕ	4.5
October	Yukon Cons. C$1	154	15.9	Q7c	ϕ	2.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Sterling denominated securities which include investment dollar premium.
- "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- Merger bid or reorganisation in progress.
- Not comparable
- Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- ‖ No par value

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend, cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 25

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	.....
Ash Spinning	45	.....
Bertam	22	.....
Bdg'wtr. Est. 50p	270	.....
Clover Croft	22	.....
Craig & Rose £1	420	.....
Dyson (R. A.) A.	41	.....
Ellis & McHdy.	62	.....
Evans Fr'k. 10p.	57#	.....
Evered	15	.....
Fife Forge	50	.....
Finlay Pkg. 5p.	19½	.....
Graig Ship. £1	140	.....
Higsons Brew.	82	.....
I.O.M. Stm. £1	147	.....
Holt (Jos.) 25p.	250	−8
N'thn. Goldsmith	55	.....
Pearce (C. H.)	150	.....
Peel Mills	20	.....
Sheffield Brick	48	.....
Sheff. Refrshmt.	52	.....
Sindall (Wm.)	85	.....

IRISH

Conv. 9% '80/82	£91⅝	.....
Alliance Gas	75	.....
Arnott	320	.....
Carroll (P.J.)	87	.....
Clondalkin	100	.....
Concrete Prods.	132	.....
Heiton (Hldgs.)	40	.....
Ins. Corp.	148xc	.....
Irish Ropes	125	.....
Jacob	65	.....
Sunbeam	34	.....
T.M.G.	190xd	.....
Unidare	95	.....

OPTIONS

3-month Call Rates

Industrials

Property

Oils

Mines

FINANCIAL TIMES
Monday May 15 1978

Liberals hint at end of pact

By Rupert Cornwell, Lobby Staff

THE PROSPECT of an October general election strengthened further yesterday as Mr. David Steel, the Liberal leader, gave the clearest hint yet that his party would be unable to renew its pact with the Government beyond this summer.

Mr. Steel stressed that the agreement still stood despite the row between the two partners over tax cuts which led to the humiliating string of Government reverses on the Finance Bill in the Commons last week.

But an extension into the final year of the Parliament would depend on a really substantial concession by Mr. Callaghan to the Liberals, particularly over electoral reform. "It is rather unlikely that the Government will come up with anything that will satisfy us."

He urged the Prime Minister to call an autumn election if no comprehensive deal could be agreed. It would not be in the country's interest for Labour to carry on, depending on one or other minority party on a day-to-day basis.

Negotiations for an extension to the Lib-Lab pact will start fairly soon. The outcome should be apparent well before the end of this session in July.

In the meantime the Liberals will go on backing the Government, so that the devolution legislation can become law, and "Liberal" meaures in the Budget, such as profit sharing and small company assistance, can be enacted.

Mr. Steel's remarks, in a BBC radio interview, reinforce the growing conviction at Westminster that however much Mr. Callaghan would like to soldier on, the Parliamentary situation beyond October will not allow him to be sure of picking the moment of his choice.

All the parties are preparing for an autumn election. Mrs. Thatcher proclaimed her readiness at the Scottish Tory conference in Perth.

A break with the Government at the summer recess would be for the Liberals essential to allow them time to re-establish a separate political identity.

Mr. Steel did not specify what move on electoral reform he was after. Other Liberal MPs insisted last night that at the very least a referendum on proportional representation would have to be promised.

Even then, after their chastening experience with PR for direct elections to the European Assembly, most Liberals do not believe that the Prime Minister could deliver on such an undertaking.

Mr. Steel intensified Liberal attacks on the Budget. He accused the Government of failing to carry out what was agreed on the key issue of tax reform in last July's exchange of letters between himself and Mr. Callaghan.

The remaining day of the Finance Bill's committee stage on the floor of the Commons is tomorrow. It is doubtful if all the Opposition parties will again make common cause to triumph on the most important proposal to be debated—that would reduce stamp duty on house purchases.

Mrs. Thatcher's election challenge, Page 5

Tories will oppose tax avoidance clause

By David Freud

THE GOVERNMENT'S attempt to eliminate orgainsed tax avoidance will be weakened by Tory opposition to a clause in the Finance Bill outlawing an avoidance scheme retrospectively.

The aim of the retrospective legislation against the "commodity carry" scheme was to destroy the rationale of the tax avoidance industry that has developed in the past few years.

Retrospective legislation would have the double effect of establishing a precedent for dealing with avoidance schemes and scaring off potential clients who would otherwise be tempted to use them.

However, the Conservative party now has decided to oppose the measure in Standing Committee on constitutional grounds.

Even though it is unlikely to defeat the clause—unless there are Labour defections—the impact of the measure will be reduced.

This is because the Conservatives will have shown themselves unwilling to operate the retrospective precedent. So some people are likely to feel confident enough to operate avoidance schemes under the next Tory administration.

The Standing Committee is equally divided between Labour and Opposition MPs, so the chairman's casting vote — on the Labour side — is likely to determine the issue if the committee divides on party lines.

CBI pay advice plan stands slim chance

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE Confederation of British Industry's proposals for the creation of a special Parliamentary select committee on the economy, to advise on pay limits, seems to have little chance of being implemented as long as the present Government remains in power.

The Prime Minister is known to have serious reservations about the proposals, and senior civil servants are also opposed to expanding the role of select committees. In addition, union leaders are unlikely to want wage policies debated in such a forum.

The idea may have more appeal for Conservative Party leaders, who have thought of linking an expanded National Economic Development Council with a Parliamentary select committee as part of their approach to the attack on inflation.

The Confederation's proposals have been designed to meet objections from leading industrialists to "corporate state" arrangements whereby both sides of industry meet the Government to decide what the country can afford in wages.

The CBI's idea, which partly stems from experience in Germany, is that a select committee of MPs should hear evidence from all interested parties and receive expert help from a small secretariat. It would then issue an annual report to Parliament and the Government setting out what it regards as the realities of the country's economy, and therefore what can be afforded for wage rises.

The proposals were outlined last week by Sir John Methven, the confederation's director general who is to ask his monthly council meeting to approve them on Wednesday.

'Cumbersome'

The Prime Minister will address the Confederation's annual dinner in London, tomorrow night. He could take the opportunity to spell out his own scepticism.

In the Commons last week, when asked by Mr. John Pardoe, the Liberal economic spokesman, what he thought of the idea of a special select committee being created, Mr. Callaghan said, "I can think of few worse things."

Although this reply drew laughter from the MPs in the Commons, it was not meant entirely flippantly.

Senior Ministers are likely to regard the Confederation's proposals as unnecessarily cumbersome, and difficult to operate, especially as economic factors may well not be the only considerations to be taken into account when framing a pay policy.

Ministers may well, therefore, agree with the opposition to be expressed from union leaders and senior civil servants who, for different reasons, would not want such potential influence on Government policies removed from Whitehall and Downing Street to Westminster's committee rooms.

Union leaders like to deal direct with top Ministers on economic issues, and are loth to see other interests, apart sometimes from the Confederation, given the same treatment. In their Social Contract discussions with the present Government they have been able to widen the debate beyond the issue of wages.

Senior civil servants resent select committees prying into, and perhaps disturbing, the formulation of policies within Government Departments. Like the present Government, many of them consider the best way is to have talks between the Government and both sides of industry first, Parliament then being presented with policy proposals.

State oil group to spend £2bn. over five years

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH National Oil Corporation expects to spend about £2bn on offshore activities in the five years to the end of 1982.

The Corporation's five-year plan presented to the Government—but as yet unpublished—is believed to show that annual expenditure will be maintained at least at the present high levels.

The State oil undertaking spent £396m. in its first year of operation up to the end of 1976. Lord Kearton, chairman and chief executive, hinted last spring that the Corporation could spend well over £420m during the following few years; the exact investment figure for 1977 will be contained in BNOC's annual report to be published later this week.

In spite of the spending levels foreseen in the five-year plan, the Corporation has told the Energy Department that it does not expect to call on the Government to raise its borrowing limit.

The undertaking is empowered to borrow from the National Loans Fund up to £600m—which can be extended to £900m with Parliamentary consent.

But last year it strengthened its financial base by raising $825m (worth some £453m at current exchange rates) in loans from a group of British and American banks.

The State corporation is facing a heavy investment programme in a number of North Sea fields in which it has an equity interest.

These include the Thistle Field, which has just been brought on stream; the Ninian and Dunlin both of which are due to begin producing oil later this year; and the Statfjord Field—the biggest discovery in the North Sea — and the Murchison Field, each of which straddles the UK/Norwegian median line.

In addition, BNOC is building up its exploration activity. Under the terms of the fifth round of licences the Corporation is paying its share of costs for most of the exploration and appraisal wells. As BNOC has a 51 per cent stake in most of the 44 fifth round blocks it could find itself contributing £2m or £3m for each well drilled.

Recently BNOC was also awarded a batch of nine licences on blocks scattered around the various prospective areas. These concessions were not offered to private companies and the State corporation will have to bear the cost of all exploration appraisal and development work.

However, in order to ease the corporation's financial burden, the Government now is asking private companies to pay for at least part of the State's share of exploration drilling costs in future licences.

Draft conditions for the 40 blocks to be awarded under the sixth round of licences could — if adopted — result in a unique auction, with companies being asked to state the degree to which they would be prepared to carry BNOC's costs.

Another new factor in the proposed conditions — now being considered by the oil industry — is a move to provide the Corporation with a greater stake than the standard 51 per cent, in new licences. Once again, companies may be asked to state how big an interest they would be prepared to offer BNOC.

Furthermore, the Government wants companies to outline to what extent it would be willing to sell crude oil to the Corporation or, in some circumstances, to buy back crude.

Other new conditions would provide BNOC with the right to assume at least joint responsibility with licence operators for all public announcements and statements and would ensure that all meetings of licence operating committees are held in Glasgow —the headquarters of the oil corporation.

N. Sea shipyard effort urged

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

BRITISH SHIPBUILDERS is six to eight years behind its competitors in servicing the offshore oil market—and requires a rapid and substantial reorganisation and investment programme if it is to catch up, according to a report circulating within the corporation.

Coming at a time of increasing Government pressure on the oilfield operators to buy British marine equipment, the report is the work of Mr. Clifford Morley, a former Swan Hunter executive and chief executive of the Malta Drydock Company. He now works in the offshore oil industry.

It presents a thorough analysis of the British shipbuilding industry's failure so far to move away from simple ship-shape structures to the wide variety of surface, submersible and seabed constructions which have been developed for use in offshore oil exploration and production.

The report, which has been considered at the highest level in British Shipbuilders, has attracted enthusiastic support from some executives.

It shows that Britain has built only 36 of 586 specialised service craft constructed for the oil industry in the last five years and none of the 94 semi-submersibles delivered in that period.

More than 50 world shipyards are designated as oil industry construction yards and none is British. Of six major deep-water buoy designers only one is British—and even this company builds under licence.

British shipbuilders' contribution to the design of specialised craft has, says the report, been "minimal compared with the same industry on the continent, the US and Japan."

Mr. Morley contends that the worldwide search for oil and other minerals is bound to move into deeper and more difficult waters and that the marine industry is best suited to meet the basic design and construction requirements. British Shipbuilders, he says, should be using the North Sea as its launching pad for this growing world market.

On the maintenance side alone, the North Sea fields are expected to generate contracts worth £250m a year. British ship repair yards should be tendering for this work and offering flying repair squads, in addition to building modules for the platforms and carrying out hook-ups.

According to the report offshore oilmen's reliance on land-based—chiefly American—petrochemical engineering experience has led to errors of judgment in the North Sea. Such errors have involved under-estimating the cost of platform jackets by three or four times.

The approach recommended is the establishment of an internal division of British Shipbuilders responsible for design, engineering and marketing in the offshore energy industries. About 70 per cent. of the people required for such an operation are already within the corporation.

Production facilities would have to be modernised.

Although not directly as a result of the report, British Shipbuilders is engaged urgently in strengthening its offshore marketing effort. Mr. Jolyon Sloggett, formerly with Houlder (Offshore), has recently been appointed at managing director level within British Shipbuilders to head this project and a new offshore programme will be announced within the next few weeks.

Car statistics move may obscure import content

BY TERRY DODSWORTH AND ARTHUR SMITH

FORD U.K. has put forward tentative proposals to change the basis of publishing figures on vehicle imports to Britain so that it would no longer be clear where the cars sold by the big British manufacturers were made.

The suggestion was discussed recently by the Society of Motor Manufacturers and Traders, which compiles sales statistics. It would mean that the import content in the sales of Briain's four indigenous manufacturers would no longer be presented on a month-by-month basis.

This follows a period in which the multi-national manufacturers—Ford, Vauxhall and Chrysler—have been importing heavily from their Continental plants to make up shortfalls in their UK production.

It also coincides with a new proposal by Leyland Cars to import a limited number of Minis from its plant at Seneffe in Belgium.

Longbridge shop stewards will meet today to discuss Leyland's plan, which would mean importing about 750 Minis a week until August. The idea is to build up stocks to cope with the current strong market which could rise to a peak of well over 200,000 registrations in August.

● Prices of some Leyland sports cars will rise an average of 7 per cent from today. Examples of the new prices include: Triumph Spitfire, up from £2,776 to £3,082; TR7 from £3,877 to £4,072; MG Midget from £2,441 to £2,648; and MGB soft-top from £3,324 to £3,491.

New loan funds sought by Italy

ROME, May 14.

THE ITALIAN Government is hoping to negotiate two major new loans this year from the International Monetary Fund and the European Economic Community, as part of a concerted programme to consolidate some of the country's short to medium-term debt obligations.

The loans, planned initially as standby credits rather than an immediate drawing down of funds, are thought to amount to about US$2.5bn, according to Treasury sources here.

This is about half of the country's repayment commitments in terms of principal and interest through to the end of next year.

Preliminary discussions took place in Rome last week on the new funding with Mr. Alan Whittome, European director of the IMF.

M. Francois-Xavier Ortoli, the French vice-president of the EEC Commission for Economic Affairs, had parallel talks here yesterday with the new Treasury Minister, Sig. Filippo Mario Pandolfi.

Detailed negotiations for both loan facilities are expected to start about mid-June and, on present plans, will be advanced simultaneously — although any EEC medium-term funding is likely to await formal approval of the $1bn. standby being sought from the IMF.

Review team

Earlier this year, the Italian authorities repaid on schedule the first tranche of US$350m of a Community facility of $1.4bn extended to Italy three years ago, and three similar repayments are due in July, September and December this year.

An IMF review team was due to visit Rome earlier this year to study progress on economic and monetary management commitments incorporated in the terms of the Italian letter of intent this time last year—when the Government secured a further drawing from the Fund of the equivalent of US$530m.

The team's arrival was postponed, however, partly because of the Government's difficulties in getting all-party approval of the 1978 Budget, and more recently because of dislocation to Government business caused by the kidnanning of Sig. Aldo Moro.

The IMF team is now expected to arrive in mid-June and probably about the same time as a mission from the EEC.

Weather

UK TODAY

SOME RAIN in most areas.

London, S.E., Cent. S. England, E. Midlands
Showers. Max. 13C (55F).

E. Anglia, E., Cent. N. England
Rain at times. Max. 9C-10C (48F-50F).

W. Midlands, Channel Isles, S.W. England, S. Wales
Sunny intervals, scattered showers. Max. 14C (57F).

N. Wales, N.W. England, Isle of Man, S.W. Scotland, Argyll, N. Ireland
Bright sunny intervals, scattered showers. Max. 12C (54F).

N.E. England, Borders, Edinburgh, Dundee, Glasgow
Occasional rain. Max. 10C (50F).

Aberdeen, Cent. Highlands, Moray Firth, N. Scotland, Orkney, Shetland
Mostly dry. Max. 10C-11C (50F-52F).

BUSINESS CENTRES

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Alxndria	F	23	73	Madrid	S	30	86
Amsdm	C	12	54	Manchstr	R	9	48
Athens	F	21	70	Melbourne	C	14	57
Bahrain	S	33	91	Milan	S	17	63
Barcelona	F	17	63	Montreal	C	21	70
Belfast	C	10	50	Moscow	R	11	52
Belgrade	C	13	55	Munich	C	12	54
Berlin	C	11	52	Newcastle	C	9	48
Brmghm	R	10	50	New York	R	13	55
Bristol	C	10	50	New Delhi	S	40	104
Brussels	C	9	48	Oslo	F	11	52
Budapest	C	10	50	Paris	C	12	54
B. Aires	C	15	59	Perth	S	13	55
Cairo	S	35	95	Prague	C	11	52
Cardiff	C	9	48	Reykjavik	C	7	45
Cologne	C	12	54	Rio de J'o	S	30	86
Copenhgn	C	10	50	Rome	S	17	63
Dublin	C	10	50	Singapore	R	25	77
Edinburgh	C	10	50	Stockholm	F	11	52
Frankfurt	R	11	52	Strasbrg	C	11	52
Geneva	C	11	52	Sydney	S	18	64
Glasgow	C	11	52	Tehran	S	32	90
Helsinki	C	12	54	Tel Aviv	S	22	72
H. Kong	S	25	77	Tokyo	C	21	70
Jo'burg	C	24	75	Toronto	R	17	63
Lisbon	S	22	72	Vienna	C	10	50
London	R	9	48	Warsaw	F	14	57
Luxemb'g	C	10	50	Zurich	R	8	46

HOLIDAY RESORTS

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Ajaccio	S	18	64	Jersey	C	10	50
Algiers	C	20	68	Las Plms	F	20	68
Biarritz	C	14	57	Locarno	S	19	66
Blackpool	C	9	48	Luxor	S	34	93
Bordeaux	C	14	57	Majorca	F	19	66
Boulogne	C	10	50	Malaga	S	20	68
Casablanca	C	19	66	Malta	R	21	70
Cape Town	S	20	68	Nairobi	C	19	66
Corfu	C	19	66	Naples	S	18	64
Dubrovnik	S	15	59	Nice	S	17	63
Faro	C	18	64	Nicosia	F	24	75
Florence	F	17	63	Oporto	S	18	64
Funchal	C	18	64	Rhodes	S	20	68
Gibraltar	C	18	64	Salzburg	F	11	52
Guernsey	R	8	46	Tangier	C	20	68
Innsbruck	C	11	52	Tenerife	S	19	66
Inverness	C	10	50	Tunis	C	19	66
Isle of M.	C	9	48	Valencia	C	15	59
Istanbul	F	18	64	Venice	F	16	61

S—Sunny. F—Fair. C—Cloudy. R—Rain.

Continued from Page 1

Kaunda

had warned Dr. Henry Kissinger, former US Secretary of State, of the dangers inherent in the Angola situation in 1975.

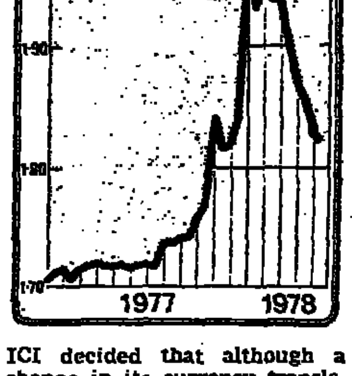
"A few months later at least Kissinger had the courage to say: 'If only we had listened we might have saved the situation.' I don't want that to happen again."

Although he would not be drawn on possible differences in the approach to Southern Africa of the US Administration and the British Government, Dr. Kaunda said he would prefer the US to "take the front seat."

Once the issues of Southern Africa came before the British public "each leader takes a party line, and that ends the strength of Britain in tackling this problem."

THE LEX COLUMN

When sterling was strong



This is the curious story of how British Printing's 1976 profits before tax and exceptional items changed from £3.03m. to £4.69m., and then back to £3.1m. It is also about how ICI's 1977 profits did *not* rise from £482m. to £512m. pretax, but instead fell from £540m. to £483m.; and about how sterling strengthened during 1977 much less for Fisons and Lesney Products than for most other companies.

The subject is, of course, the tortuous one of accounting for foreign currency transactions, which has been thrust into prominence after the currency gyrations of the past few years. It is to some extent being regularised by a forthcoming accounting standard of which the Exposure Draft—ED 21—was published some time ago. But in the meantime quite sharp differences in accounting treatments persist among British companies, a number of which have made changes recently.

All companies with significant overseas operations have been affected by destabilising currency movements in the past couple of years. Results for 1976 were swollen by a year-end dollar rate of under $1.70, followed by a sharp reversal in 1977 when sterling rallied to $1.92 or so at the end of December. The impact was worse for that minority of companies—including ICI and Reckitt and Colman—which had made a practice of including exchange gains or losses on overseas current assets in the profit and loss account. This practice amplifies the impact of currency swings on overseas profits.

When finance directors were faced with a strong sterling at the end of 1977 they weighed up the alternatives. They could take it on the chin, but in many cases that would mean a fall in reported profits. They could change from a closing rate to an average rate method of conversion, which would cushion the blow. And where translation differences figured in the p and 1 account they could be taken below the line. Any changes in accounting policies however, would raise awkward questions about why this particular moment had been chosen for the switch: why should this year's currency losses need more urgent treatment than last year's lush gains?

Confronted with this choice, ICI decided that although a change in its currency translation method was desirable, the 1977 accounts did not provide the right occasion. Other companies took a different view. Faced with a likely fall in pretax profits from £55.7m to £52.5m, Reckitt "reclassified" exchange differences and so reported £57.9m against £51.4m (one of the rules of the game being that the previous year's figures are also revised). A similar change improved Rolls-Royce Motors' profits rise from 15 per cent (which it would have been on the old accounting basis) to 27 per cent. Compared with reclassification the effect of switching from closing to average rates is small, but enough for Fisons (where it added £500,000) and Lesney (where the benefit was £300,000) to consider it worthwhile.

The award for greatest flexibility in accounting for currency items must, however, go to British Printing Corporation, which has changed its basis not once but twice in successive years. Currency gains of £1.66m went above the line for 1976, taking profits to £4.69m against £4.23m for 1975. In the 1977 accounts, however, a sizeable exchange loss has been shifted back below the line and profits before exceptionals are £5.94m against a restated £3.1m. According to BPC, the U-turn is all in the cause of ED 21.

Chemicals

As a curtain-raiser to ICI's first quarter results next week the recent quarterly reports presented by some of the largest continental chemical companies made, on the face of it, rather gloomy reading. Hoechst, Bayer and BASF in Germany all reported that profit in the first three months had been about one fifth below the first quarter of the previous year. Akzo, in Holland, could do little more than break even and forecast that 1978 would be a fourth year of loss.

Yet among watchers of the industry the feeling is widespread that business conditions are gradually improving. For the German companies these hints of a new optimism are linked in the main to hopes for a stronger German economy in the second half. But there are some firmer clues as well. BASF's April sales figures were much closer to the figures of a year earlier than was the case in the first three months. Hoechst has talked of a profit upswing in the second half. And Akzo is confident that it will make profit by the fourth quarter.

The three millstones round the Continental industry's neck remain the artificial fibres business, the plastics business and —particularly for the German and Swiss producers — the strength of their currencies against the dollar. The misery in fibres has now led to the near-certainty of some form of official European cartel arrangement to control output. The overcapacity in plastics, exacerbated by mounting Comecon exports, has led to pressure for an equivalent arrangement, though this idea is deplored by the Germans.

The climb of the D-Mark has forced the German industry to protect it s profitability in ways which ICI will surely have to follow. First, the German majors have learned in the last three years to manage their production much more rigorously with profit in view. Second, they have moved steadily towards specialist lines and away from bulk products. Third, there is the long-evident emphasis on investment overseas: Bayer will be spending twice as much abroad this year as it will at home.

Recent statements from ICI have shown how worries about profitability are now constraining its own plans for expansion. But at ICI too there is a feeling that the demand-price climate is improving. Hedderwick Stirling, whose expectations for the German industry have now been raised to one of unchanged profits for the year, feel that ICI's pre-tax figure for the first quarter will be around £80m, little changed from last year's fourth quarter but well down on the same period last year.

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